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PEKING AND THE BOLSHEVIK REVOLUTION

There has never been such an outpouring of words in Peking about the anniversary of the Bolshevik Revolution since the very heyday of the Sino-Soviet alliance in the earlier days of the Communist regime in China. True, it was the 40th anniversary, but there is no magic, nor even much tradition, in a mere 40 years. There is no doubt whatever that the extra-special enthusiasm on this occasion was directly related to the sharp and salutary lesson taught the professional Marxists during the period of criticism in China. Even now they are so acutely conscious of it that one of the major speeches in the Peking celebrations—that by Liu Shao-chi—was almost wholly devoted to praise of the Soviet accomplishments on the one hand and refutation of the Chinese criticisms of the present hierarchy in China on the other. The period of criticism served to show how greatly the Communists had fallen in popular esteem, in spite of the immense achievements of the regime—or, rather, of the Alliance.

A special effort was made to bolster up the position of the Party, and though China had no Sputnik herself to give to the celebrations a somewhat spurious acclaim, she did bask in the Soviet scientists' reflected glory, with the theme that it was "the Socialist system" which had done it all. There was one little gesture which did show that gratitude is not wholly forsaken among nations. The host of Soviet experts—far greater in number than ever served China in the Customs, Salt, Railway and other administrations which had Britons or other foreigners to help them—have undoubtedly done a first-rate job. And there has been so much ingratitude toward the foreign servants of the former regimes that it is a welcome change to find the Chinese acknowledging so freely the debt they owe, at a banquet given by the State Council on the anni-

versary of the Bolshevik Revolution to the principal Soviet experts and their families and assistants.

A renewed campaign of reindoctrination of all decisive groups, and especially the students, has been trying to do what was supposed to have been completed in the indoctrination proceedings after the Communists assumed power. But those convinced against their will remain of the same opinion still, and it is to be doubted whether even this new campaign to instil a real love of and faith in the Marxist creed will make much difference. It has been said that with every year that passes the problem of revivifying the October Revolution through the rising generation becomes more acute. Russians born at that time are now 40 years old; and those born during the great purges of the 1930s are attaining their majority. The Revolution itself is middle-aged and Party and Government leaders are for the most part well past that age. The present leaders are not unaware of the need to perpetuate a cause that will not otherwise perpetuate itself. There are constant references to the young people's lack of appreciation of their elders' sacrifices and sufferings. Reminiscences of the Old Bolsheviks leave the young cold and too many of them have had such a tragic end that even their names cannot be mentioned without questions being asked as to why they were so faithless or were so bitterly persecuted.

The task is made no easier by the fact that so many of the ideals of 1917 have been betrayed, abandoned or proved fallacious. The apparatus of the States is not withering away. The wheel has turned full circle—from egalitarianism in wages and self-denial in the remuneration of Party officials to sharp wage differentials and lucrative Party offices. Freedom of speech, of assembly, and of the person, which the Soviets themselves insisted upon, vanished

with these councils and will never be restored till the paper constitution and the two Houses of Parliament become a reality. Even History has been rewritten and distorted—in vain. The rule of Stalin, the purges, and the bureaucratisation of the party and of society, still fill the mind. And with the disappearance of the revolutionary spirit there are also no kulaki to be expropriated, no mass denunciations to be put into force, no Stakhanovites to be conjured up, or clear-cut political “sabotage” to be exposed. The absence of a dynamic movement tends to breed revivalist ideas in some and revisionist ideas in others. There is now no official and comprehensive gospel. Even the neatly ordered and rather profuse theoretical meanderings of the dialectical experts in Peking merely deal in tactics and methods, and no longer with high doctrine. The gospel of Stalin is apocryphal, that of Khrushchev is incomplete, and that of Lenin remains, in essence, so extensive as to constitute a sort of Delphic oracle.

In these circumstances, it is hardly any wonder that those who celebrated the 40th anniversary of the October, 1917, Revolution did so with mixed feelings. Youth feels the urge for fresh thinking at a moment when the regime can no longer rely upon Stalinist terror to impose tight restraint. Moreover, although the two preceding generations suffered the ravages of the Stalinist purges and the Second World War respectively, followed by the post-war Stalinist era, they have left survivors, some of whom have become prominent in the present Soviet intellectual ferment. At least as important are the ghosts at the feast: trade unionists like Tomskey, Party figures like Trotsky and Bukharin, non-Russian nationalist leaders from all the present-day Soviet Republics, writers, artists and scientists. Behind individuals stand the nameless victims of mass liquidations, the peasant proprietors, ethnic minorities and the forced labour camp population.

It would be idle to suggest that all these post-1917 casualties make equal impact. Many, taken individually, would make no impression on the Soviet citizen of 1957. But it would be equally idle to suppose that they have created no posthumous malaise. To some extent, at least, the very fact that these phenomena supervened after November, 1917, implies some causal as well as a temporal connection with that event. This invites thorough-going rethinking.

Certainly it is true that the younger generation is doing a great deal of rethinking. The examples of Poland and Yugoslavia are powerful stimulants. This is not to say that the Marxist creed is in imminent jeopardy. Rather do the questions touch upon such subjects as the justice of the wage structure, the truth about the outside world, and more objective data about the ONLY country since 1917, the extension of cultural and intellectual freedom. All these are, indeed, healthy signs; they show that the miasma of the Stalinist era has partly lifted and is difficult to reimpose.

It is furthermore arguable that the quest for truth, latent at the moment, may in its further stages result in more questioning of basic assumptions not only about Stalin and the opposition but also about Lenin and the practice and professions of October, 1917. Soviet historians had indeed already made a start with reassessing the role of the Mensheviks until an official veto was placed on such activities. Nor is it only the past record of the Soviet regime that promotes forms of heterodoxy. Abroad, such steps as the Soviet intervention in Hungary, and at home the unmasking of the “opposition” in the Party Presidium, can still as before be passed off in official propaganda with wholly inadequate explanations. But this no longer precludes private discussion—the climate of opinion has perceptibly changed as the glacier of fear has receded.

Yet from the point of view of the present Soviet leaders, it is not only intellectual “revisionists,” “liberals” and “national Communists” and the like who stand in the way of their efforts to galvanise the Party and restore faith in its cause. There are a host of other equally unwelcome elements, ranging from the “teddy-boys,” from the careerists to the speculators. The Soviet system would be fortunate indeed if it had for long been able to repress human nature without raising a rash of perversions. In fact, demoralisation increased with the passage of time; in part a reaction against the standards of conduct dictated by the system, and in part evidence that the process of distorting or betraying corporate ideals tends to reinforce individual self-protection and self-seeking.

But since Soviet society is permitted, in effect, only one set of ideals, divergence from them in any active sense is dangerous; the easier path, therefore, often lies in suspension of belief and passive conformity. This process has not unnaturally affected the two pre-war generations to whom the capacity to conform and to pass unnoticed was often a requisite for survival; but the present generation, too, has not escaped it.

The stratification of Soviet society into rich and poor, the politically privileged and the politically unprivileged, is a fact beyond doubt. Though a considerable degree of social mobility continues to exist, it appears to be growing narrower, not wider. Over the past few years resentment at the ostentation of the governing classes has been widely voiced, allied with a growing disposition to question the right of the privileged Soviet elite, particularly in the political and administrative spheres, to the special position that has been carved out for it. It is particularly true that Soviet officialdom not only insists on using its privileges and perquisites but appears to be more than anxious to be seen doing so. By contrast, the unprivileged caste of industrial and agricultural workers lack means even to express their grievances let alone securing redress for them as a result of their own action. The resulting

tension is probably felt more acutely by the rising generation than by its predecessors, if only for the reason that while Stalin lived even those who were materially privileged could never feel themselves secure.

There can hardly be any question of calling in the two pre-war generations to moralise to the present one. The first two have largely lost such bearings as they ever possessed, and the third have yet to find theirs. In a sense the rule of Khrushchev and his colleagues is a parenthetical period; they are of the Stalinist era yet have denounced much of it; they seek to adapt a rigid doctrine of class warfare to an age of revolutionary social and economic progress; they introduce a number of schemes which depend largely for their success on the widest

measure of voluntary co-operation without any guarantee that they will obtain it; they have little choice but to deal with fissiparous tendencies within the Soviet bloc on a pragmatic basis; they insist on the need for ideological education but cannot afford to allow any reexamination of the postulates of 1917.

Whatever the short-term consequences, the long-term future will confront the rising generation even more bluntly with the choice between seeking security in a society that is becoming progressively more ossified and opportunist, and working out their own version of Communism—a version which though it might borrow from diverse sources, including the West, would be unlikely to conform closely to any existing political system.

NATIONALISM, ECONOMIC DEVELOPMENT AND DEMOCRACY

By Bert F. Hoselitz

An often observed characteristic of the newly emerging societies in Asia, Africa, and other parts of the economically less advanced portions of the world is the sharp and undisguised nationalism prevailing in these countries. Sentiments of nationalism are loudly proclaimed in countries which have recently gained independence as well as in those which are still under some form of foreign colonial domination. They are present also in countries which have gained independence some time ago, and in those in which foreign domination has never succeeded in establishing itself. Even the form of government of a country, its membership in the Communist bloc or among the free nations of the world, does not seem to make any difference: Chinese nationalism is as strong and as dynamic in its aspirations as Indian or Indonesian nationalism.

To be sure, the actual forms which nationalist movements take are dependent upon the narrower political conditions under which these movements exist. In some countries the attainment of independence is the immediate goal; in others it is the full integration and consolidation of a country's territory; in still others, an expansionist, aggressive type of nationalism is discernible; and in some countries national sentiment is directed primarily towards cultural integration rather than political ends.

Since apart from political or cultural objectives all these countries also have the economic objective of increasing the level of living of the members of the society, the question may be asked what relationships exist between the processes leading to higher welfare aspirations on the part of the people and the nationalist sentiment prevailing among them. Moreover, both the implementation of a planned program of economic advancement and the spreading of an

ideology of nationalism require agencies which often overlap and supplement one another. The men and agencies that advocate most vociferously the need for economic advancement also stress the common national objectives of their societies; indeed the ideology of nationalism seems to be one of the requirements for the achievement of developmental goals in societies on a relatively low level of economic advancement.

Living Standards and Nationalism

This paper is devoted to an examination of the relationships between aspirations for higher levels of welfare and nationalist movements and trends. First, I shall describe the negative and the positive aspects of nationalism in underdeveloped countries. The former defines the separateness and exclusiveness of a group; it often stresses its antagonism to others, especially those who are, or are felt to be, opponents of indigenous national aspirations. The second attempts to give meaning to the communality of interests of a given group and to define the rights of membership in the group of all those who are said to belong to it. It tends to break down loyalties to particularistic subgroups, such as clans, tribes, or specific ethnic or linguistic groups in a country, and to replace them by loyalty to the nation as a whole. Next, I shall attempt to relate the positive aspects of indigenous nationalism to forms of economic development and trace the interrelations between them. Finally, I shall try to relate the social processes involved in economic development and the growth of a common national consciousness in an underdeveloped country to its sociopolitical structure. In this way I hope to clarify the interaction between exigencies of maintaining social privileges arising out of a stratified society and democratic implications associated with the improvement of mass living standards supported by a common nationalist ideology. If the problem is posed in this fashion it may be possible to discover what are the chances of democratic developments in these countries, as against the likelihood of some form of authoritarian government.

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Common Characteristics

A nationalist ideology and a welfare-oriented program of economic development have as common characteristics, on the one hand, the aim of affecting the life of all members of a given society and, on the other, stress on the interrelation between the welfare and security of each member of the society and the welfare and security of the society as a whole. Let us analyze these two features somewhat more in detail.

Programs of economic development may have various more or less immediate objectives, but one common goal of most of them is a general rise in mass levels of living. In some countries this objective is stressed much more strongly than any other, but even in those countries in which more emphasis is placed upon the building up of capital equipment or a military machine, some stress is laid on the ultimate benefits which economic development programs will have on the general level of economic welfare of the masses. Economic development is thus commonly declared to be an essentially democratic process. Its benefits are expected to accrue to all members of the society, and even where collective aims are given preference, the impact upon the private personal welfare of the members of society is stressed as a concomitant development.

Just as programs of economic development are represented to be matters of concern for all members of a society, so the equal partnership of all members of the society is "legitimized" by increased emphasis on their common nationality. A nationalist ideology normally presents a Janusfaced appearance. On the one hand it delineates a series of features which are common to all members of a given nationality, which tie them together, and which establish a special kind of solidarity between them. On the other hand it lists a series of factors which divide this nationality from others, which indicate its separateness, its exclusiveness, and often its alleged superiority over others.

Negative Aspects of Nationalism

In countries which still lack independence the foreigner is easily discerned. The dominant metropolitan power is the representative of all that is foreign to the subject nation; the common positive tie is the struggle to emancipate all members of the indigenous population from the foreign yoke. Once independence has been achieved, the image of the foreign dominating power disappears from the immediate scene, and with it a convenient scapegoat on whom could be placed all the ills from which the indigenous society suffered.

But the image of the domineering foreigner is too good a symbol in nationalist propaganda to be let go altogether. Thus we observe a not infrequent technique employed by Communist parties, especially in former colonial countries, of discovering at various times the workings of alleged oppressors in their midst. The fact that even today in Russia and China the actual presence of "imperialist warmongers and their native stool pigeons" is every now and then discovered is eloquent testimony to the powerful role which the foreign dominating power plays in the process of building a nationalist ideology in these countries. Similarly, though admittedly in less crude fashion, the sins of imperialism are still today appealed to in many countries of Asia even though the former imperialists have lost control and, in many cases, have completely withdrawn from these countries.

The loss of significance of these negative aspects of nationalism and the dilemma created for native leaders by the weakening and gradual withdrawal of the dominant

foreign power can be well seen in West Africa. Technically the British territories of that part of the world are still in a colonial status. But in Nigeria and, above all, the Gold Coast, a rather high degree of self-government has been attained. The purely political nationalist objectives have been won to a large extent, and although these countries have not yet attained de jure independence, many powers, especially in the economic field, are exercised now by natives rather than Europeans. This has weakened the negative appeal of nationalism and has introduced a number of difficulties for the more doctrinaire and above all the irresponsibly inclined nationalists. Just as in the fully independent countries it is becoming more difficult to place economic failures at the doorstep of the former dominant power, so in these semi-independent countries nationalist leaders have been forced more and more to stress the positive aspects of nationalism rather than its defensive features, its opposition against the foreign oppressor.

Positive Elements

Through the attainment of full independence or a larger or smaller measure of local autonomy, the main aspects of nationalist ideology shifted. Its features as a movement of opposition and defiance were weakened, and its positive elements became more and more important. The main positive element of nationalism is the proposition that all members of a given country belong to one and the same in-group, which is distinct from the various out-groups surrounding it. This aspect of nationalism is of considerable importance also as a factor of economic development. Since among the goals of economic development programs the attainment of higher levels of mass welfare is stressed, membership in a national group assures participation in this improvement of private economic conditions. Moreover, it also enhances the second aspect of nationalist ideology in stressing the interdependence of the economic and political goals of all members of the in-group and in supporting the proposition that what benefits the community also benefits each individual member of it.

This positive aspect of nationalism in many underdeveloped countries seems to be an indispensable aspect of the actual achievement of higher levels of living. It must not be forgotten that many of these countries exhibited until recently a higher degree of heterogeneity in social structure and institutions. Some writers in discussing the social arrangements of these countries have spoken of dual or of plural societies. But even if we disregard these abstractions as too general, when we look at underdeveloped countries more closely we find that almost all of them comprise several ethnic or linguistic communities and that, apart from such divisive elements as castes and deep class lines, there are sharp differences between city and country, between occupational groups, and between persons belonging to certain clans, fraternities, or other groups and those outside such groups.

Divisive Forces in Nationalism

In fact, the rise of nationalist sentiment in underdeveloped countries has strengthened some of these divisive tendencies. In India, for example, the attempt to make Hindi the common national language has met with increased opposition from other language groups and, in fact, the language question has brought to the fore a kind of local "nationalism" which seeks to go beyond the dispute over a national language and to establish additional political goals, notably a higher degree of local autonomy. In other words, the linguistic controversy, which could be regarded as a symptom of cultural nationalism, becomes tinged with

political aims that tend to strengthen the divisive internal forces. A similar development is discernible in Nigeria, where the political leaders of the three major ethnic groups, the Ibo, the Yoruba, and the Hausa, waver between supporting an all-Nigerian nationalism and a tribal nationalism.

Effect on economic development: Such divisive forces in nationalist movements have unfavorable consequences for economic development. In Nigeria the primary problem before the native leaders is the issue of full independence. Though Nigeria is, in a sense, an artificial state, with boundaries which do not correspond to any ethnic or natural lines or division, the most successful policy in attaining the goal of independence is the fostering of a common Nigerian nationalist ideology rather than an ethnically divided one. Yet the existence of separatist nationalist movements shows that common Nigerian national sentiment is relatively weak, and there is a definite likelihood that the three peoples may form separate states once the goal of independence is reached. Separation was also one of the results of the attainment of political independence of British India, although the divisive force there was religion rather than linguistic or ethnic differences. In Burma division has only been avoided after a long and destructive civil war, which delayed economic development greatly, and the granting of far-reaching powers of local autonomy to some ethnic groups within the Union of Burma. This process of "balkanization," even where it does not lead to internal struggles, has doubtless an unfavorable impact upon economic development. Not only does it impede the optimum harnessing of all human and non-human resources of a given region, and thus interfere with their optimum allocation, but also it tends to maintain particularistic relations in many fields of social action and slows up in this manner the development of fully rational, efficient forms of political and economic administration.

Transfer of Loyalty to the Larger Group

Thus the penetration of attachments and loyalties to particularistic entities and their replacement by loyalty to the whole nation is the most important positive effect of nationalist ideologies in underdeveloped countries. If we consider that in most of these countries the great majority of the people are still engaged in subsistence agriculture and therefore living in villages to a large degree economically self-contained, the paucity of interaction between them becomes plain. Their limited economic horizon affects their world view and their political awareness. Anthropological studies in many parts of the world have shown that the common understanding of the villagers of their place in the world usually does not reach far beyond the limits of their village. They maintain relations with persons living in the surrounding region and occasionally may go to a nearby town, but their loyalty is to their own home community, and people in other parts of their country are regarded by them as strangers. The function of nationalism in such a society is the transference of loyalty from the narrow village or kinship group to the larger national group.

To be sure, in many underdeveloped countries a number of factors which facilitate this process have been operating, some for a long time and others more recently. The establishment of Western enterprises in parts of underdeveloped countries has tended to break down the isolation of the villages. They have attracted workers from the villages and have brought them in contact with persons from other villages, towns, and often also other parts of the country. The growth of urban centers has had a similar effect. Villagers have migrated to the cities and settled there, permanently or temporarily. There they have

been thrown with persons from other parts of the country, have worked and often lived with them, and have attained membership in clubs, trade unions, or other voluntary organizations composed of many people with whom they had no previous tie. A similar melting-pot effect was exercised by service in the army or sometimes in work gangs, and the effects of warfare which forced many people to flee their homes and settle among strangers also brought about the establishment of new contacts and the general enlargement of the horizon of simple people, whose previous world was confined to the boundaries of their village or district.

All these processes which tended to make people more mobile geographically and to enhance the number and frequency of contacts between them led to an increased awareness that beyond those persons with whom one customarily maintained face-to-face relations were others who had some things in common with the members of the in-group, and yet were strangers. It was this faintly felt tie that received its most powerful support from nationalist ideology. Nationalist symbols provided a meaning and an interpretation for the very imprecise and blurred sentiments of community of interest and destiny which people in many underdeveloped countries began to experience. They drew a firmer boundary around the new in-group and defined in more expressive forms the differences between that in-group and the various out-groups. And they showed how the activities of each member of the in-group interrelate with, and are dependent upon, what others of the same in-group are doing, even though the various actors may not know each other personally. In the course of this process the main goal of nationalism tended to be achieved, namely, the gradual transference of primary loyalties from the village or kinship group to the larger society.

Difference from earlier large states: In this, the modern sentiment of nationalism differs from analogous ideologies held in the earlier large societies in underdeveloped countries. The establishment of large states in the territories of many underdeveloped countries is nothing new. The Mogul Empire in India, the empire of Majapahit in Java, even the kingdom of Dahomey in West Africa, were large states covering the major part of present nations or peoples aspiring to independent nationhood. Like the monarchies of early mediaeval Europe, however, they were not built upon nationality as a common bond but rather upon submission to a common ruler and assignment of places in a sociopolitical hierarchy with this ruler at the apex. In this sense the upsurge of a nationalist ideology in Asia and Africa is an outgrowth of the contact of these peoples with Europe and the West. Nationalism provides a means by which strong common ties can be established without hierarchical subordination and with maintenance of the principle of equality as a significant political value. This is the reason why programs of improvement of mass welfare, buttressed by a nationalist ideology, have, in principle, an egalitarian, democratic hue, and this is the chief feature by which modern nation-states in underdeveloped countries are distinguished from their monarchical predecessors.

Leadership

But although this phase of nationalism combined with aspirations to higher levels of welfare on a mass basis appears to offer a fertile soil for democratic political institutions, the very need for the institutionalization of these processes requires strong centralized leadership, which in turn makes possible the development of autocratic and, in extreme cases, even totalitarian government.

Requirements of national propaganda: Although nationalism attains and preserves a momentum of its own in the societies of the West, the very newness of nationalist ideology in many underdeveloped countries requires that it be attended to and supported constantly. In spite of the persistence of processes of social and economic change which tend to break down the isolation of the villages, and in spite of the buttressing of these processes by an officially promulgated nationalist ideology, the attachments of the kinship group or the local community in many underdeveloped countries are strong enough to make necessary the constant maintenance of nationalist propaganda and agitation. This requires a staff of skilled and devoted persons who become the chief manipulators of nationalist symbols and the elite personnel in the promulgation and diffusion of these symbols.

The logical group to undertake this task in an underdeveloped country is the leadership of political parties both in and out of government office. In fact, the manipulation of nationalist symbols might be regarded as one of the two or three most significant and appropriate functions of political party leadership in underdeveloped countries. This statement applies to all parties which wish to maintain and enlarge their influence and extends from the parties on the radical right to those on the radical left, that is, the Communists. The association in underdeveloped countries between nationalism and Communist ideology has often been observed, in spite of the pretensions of Communists to an ideology of internationalism. Resentment against those alleged to have kept large colonial populations in a state of poverty and hence to have "exploited" them and resentment against the foreign powers which until recently have supplied the political machinery maintaining this condition of exploitation have combined to offer these Communist parties a fruitful soil for action and propaganda. It should be noted that the Communist appeal depends upon this two-pronged resentment: on the one hand against the "exploiters" and on the other against the foreigners who are either identified with the exploiters or presented as supporting them.

But the Communist leaders are not the only ones who use nationalism as a plank in their party propaganda. In fact, the ability of a party to manipulate the nationalist symbols and appear in the eyes of the masses as the true representative of nationalist aspirations seems to be an important factor of its success. For example, the relatively poor showing of the Socialists in the Indonesian elections of 1955 must be attributed in large part to inability to make optimum use of nationalist propaganda.

If the proposition is granted that nationalist propaganda requires ceaseless activity because of the still somewhat ambivalent loyalties of many simple people in underdeveloped countries, and if it is granted that the persons in positions of political leadership in the government and political parties are the primary carriers of this nationalist propaganda, the ultimate political effect of nationalist trends and their association with economic development programs will depend upon the aims and objectives of the leaders. For this reason it is important to ask not only what these aims are but also what the social composition of the new political leadership in underdeveloped countries is and what the relation of the leaders to the mass of peoples over whom they exercise power.

Gap between the elite and the masses: One of the outstanding characteristics of the political elite in underdeveloped countries is the wide cultural and educational distance which separates them from the masses of the people. The exigencies of government, administration of

economic and political bureaucracies, and control of media of mass communication require a degree of technical and organizational skill which could only be acquired in the West or in Western dominated institutions. Thus in those countries in which independence has been attained the political elite are to a considerable degree Western educated and have adopted not only Western forms of behavior but in many instances also Western values. Even in countries which are still lacking full independence, as, for example, Nigeria and the Gold Coast, many members of the native political elite conform to this pattern. The social distance between these persons and the mass of their followers is often greater than that between them and the Western foreigners designated by nationalist propagandists as the main representatives of the inimical out-group.

The result of this situation is, first a sharp class division between the common people on the one hand and members of the government and leading political figures on the other. Another result of the conflicting cultural orientations of the elite and the masses is the monopolization of many functions of leadership by the members of the elite. Modern administration, in the political as well as the economic field, requires rationalized, impersonal bureaucracies. Their optimum performance depends upon the assignment of roles on a universalistic, achievement-oriented basis. But in view of the fact that traditionalist, often strongly particularistic, norms are widely observed among the popular masses, the political and to some minor extent the economic elite occupy a favored position with respect to leadership. Although widespread extension of education would gradually make it possible for increasing numbers to compete for leadership roles, most underdeveloped countries lack the necessary educational facilities and hence are deficient in suitably trained technical personnel with qualifications necessary for the fulfillment of administrative tasks on the higher or even medium levels.

The social characteristics of the political leadership group therefore tend to place it in a position somewhat apart from and on top of the mass of the people, and the often observed absence of a middle class in underdeveloped countries is perhaps not so much a true description of actual facts as a reflection of the social distance between those who are leaders in some political or economic area and those who are not. Since it takes a long time to develop adequate educational institutions, the members of the present elite are able to maintain the social differentiation which endows them with positions of leadership. Correspondingly, we can understand why in most underdeveloped countries education is so highly prized. It is perhaps the most important, though not the only, means of social advancement.

Aids to social advance: Besides education, there exist several other avenues of social ascent. One of them, as in Western countries, is the acquisition of wealth, and another the attainment of positions in the bureaucracies of religious and voluntary organizations. The former usually requires educational attainments of a high order. The latter, among which positions in trade unions and some semipolitical bureaucracies are the most important, has on the whole greater significance in underdeveloped countries than in the West, since there the ties between trade unionism and political partisanship are stronger and more obvious.

An aid to rising in the social scale is the fact that the economic expansion of the countries, even if gradual and halting, and the increase in political and administrative tasks require the gradual enlargement of the social elite. In countries where pressures to move upwards are strong, because there is a relatively greater abundance of trained personnel or because economic development is slow and stagnant, the supply of "intellectuals," especially intel-

tuals of certain kinds—for example, lawyers—may exceed the demand for them and force them into accepting leadership in political counterelites, such as radical political parties or popular movements with real or alleged charismatic objectives. This development has, for example, occurred in India and is one of the reasons for the violent political radicalism of many Indian intellectuals.

Economic Development and Social Structure

The general picture presented by the social structure in underdeveloped countries thus is one in which there exists a wide gap between the upper and the lower classes. The upper classes have adopted many Western values and forms of behavior; they are familiar with the operations of a money economy; and many things bought from the West become status symbols. The lower classes frequently follow traditional indigenous values, often have little skill in monetary transactions, and live to a considerable extent still in an economy in which the village or a more or less clearly defined local region is largely self-sufficient. As a consequence of this dichotomy in values and behavioral norms, the upper classes enjoy an almost exclusive monopoly of access to those "goods" in society which are most highly prized: political power, education, and wealth.

Centralized planning: The power of this group is enhanced by the fact that economic development in almost all underdeveloped countries is fostered to a large extent by the central government. This is not the place to discuss whether centralization of developmental planning is a matter of choice or necessity for these countries. In view of the fact that they still lack most of the capital equipment which is usually referred to as "social overhead"—transport and communications networks, power stations, educational and health facilities, and the like—and in view of the further fact that these installations are of primary importance for economic development, a high degree of centralized developmental planning may be unavoidable. At any rate the prevailing inclination of governments to undertake the function of programming economic development can easily be understood. But the result of this centralization of developmental planning is the enhancement of the power of the sociopolitical elite and the increased dependence of the large mass of the people upon decisions made by this relatively small section of the population.

Conflicting forces: The main dilemma of political, and with it economic, development in underdeveloped countries results from this divergence between, on the one hand, the actual structure of social relations, which is rigorously hierarchical and associated with deep social cleavages, and, on the other, the collectivity-oriented values expressed by nationalism in its positive aspects and the ideology of elevation of mass living standards. The pressure of these ideologies tends to push in the direction of greater democracy and mass participation in political and economic processes. The interests inculcated in the members of the political elite and buttressed by the inequalities in the social structure tend to push in the direction of authoritarianism and a high degree of centralization of governmental powers.

It is difficult to predict the outcome of these conflicting forces. In different countries different results may ensue. For example, some observers who have noted the pressures discussed in this essay in the emerging societies of Africa have expressed the fear that the attainment of independence may there be associated with the coming to power of a highly authoritarian black elite rather than with a democratization of political and social relations. Such an outcome seems not improbable since, as may be seen in Central and Eastern Europe, a nationalist ideology can be

diverted to the support of totalitarian or quasi-totalitarian governments as well as democratic ones.

As against this alternative must be held the potentialities for greater equality and freedom which stem from the struggle for political independence. Although the internal class relations in the societies of underdeveloped countries provide a fruitful soil for authoritarian political developments, the forces unleashed by the struggle for independence may lead in the opposite direction. The actual course of political developments in these countries appears to me to depend upon two factors, which are operative with varying force in different underdeveloped countries. One is the rapidity of economic development, and the other is the success of transforming the many particularistic hierarchical relations now existing on the social and political levels into a system in which the different interest groups become coordinated, with power distributed among them, rather than subordinated within one hierarchy.

Rapidity of economic development: The impact of rapid economic development upon the potentialities of democratic political institutions is not very difficult to see. If the economy, especially in its consumption goods sector, grows rapidly, the goal of improved mass living standards can be implemented more fully. Although economic growth, and especially industrialization and urbanization, remain associated with recurring episodes of social disorganization, the visible increase in consumption standards compensates for this to some extent, and the implementation of developmental programs can count upon a greater degree of consensus. The government needs to use fewer constraints, and there tends to develop less conflict between the leaders and the mass. Moreover, a rapidly growing economy has a greater and more insistent demand for skilled personnel, and the rising members of the lower social strata are less frequently frustrated in their desire for social and economic advancement.

Remolding the social structure: But economic development alone, even if it stresses and actually succeeds in bringing about an elevation of consumption standards, does not guarantee the evolution of democratic political forms unless the sociopolitical structure is remolded at the same time. It has been argued that a nationalist ideology tends to break down particularistic loyalties and interests. But if its over-all effect is to bring the various groups, once they are robbed of their traditionalist values, into a rigorous hierarchy with a small group of nationalistic, sometimes charismatic, leaders at the top, democratic political forms will have a negligible chance of evolving. The main problem before these societies is not merely the abolition of particularist elements in their sociopolitical structure, but the replacement of these elements by groupings which, though universalistically oriented in their over-all values, nevertheless maintain independence of action and the power to represent the interests of functionally diverse social elements on an approximately equal level.

Two possibilities: In more concrete terms, this can be expressed by saying that there are two possible ways of eliminating the existing particularistic structures in underdeveloped countries.

1. They may become rigorously subordinated to a central hierarchy. The leaders of the various village and regional communities, even of ethnic and linguistic groups, are assigned positions on various lower levels of this hierarchy and exercise their power roles through it. The society returns to the type prevailing in earlier monarchical periods, only with the difference that modern methods of communication and the addition of a nationalist ideology provide this structure with increased strength and resilience as compared with its monarchical forebears. The similarities to these earlier structures are even enhanced if, and

to the extent to which, the leadership in the new hierarchy is endowed with charismatic qualities.

2. Democratic development, on the contrary, is aided if the dissolution of particularistic groups leads to their replacement by functionally specialized groupings among which power is distributed in a more or less co-ordinate fashion. Or, more concretely: If the present petty elite in the village, the region, the ethnic or linguistic group, are robbed of their positions of leadership in these particularist groupings and new groups are formed along political party lines, occupational interests, or social class lines, leadership in these new groups depends not upon undifferentiated localized control and power but upon adequate representation of the interests of the members of the new group.

It does not matter greatly whether the leaders in these new groups are identical with those in the old ones or not. In general, the universalistic values which are forced, as it were, upon the leaders of the new interest groups, will tend to bring about a gradual replacement of the old elite by new leaders, and thus will tend to encourage a circulation of the elite. New leaders will attain positions in the functionally differentiated groups not because of the position of their family or the accidents surrounding their birth (in other words, not because of genealogical or magical qualities), but rather because of achievement in representing the group interest. This, in turn, will contribute to the greater degree of circulation of the elite and also to the distribution of power among the various interest groups, since each of them, provided it maintains its independence of action, will find a place in the total social

structure in accordance with the success with which it can uphold the special interests of its members as against the claims of other competing interest groups.

Given an essentially universalist orientation of the members of these groups, the competition for influence and power need not lead to a rupture of society but will rather eventuate in an over-all rough balance of the power positions of these groups. In the most common-sense terms, one might say that if and to the extent to which tribal chiefs and village heads can be transformed into or replaced by secretaries of competing political parties or trade unions, officers of independent chambers of agriculture, industry, or labor, or chairmen of regional welfare or health committees, the overall chances of democratic development in underdeveloped countries will be much enhanced. It goes without saying that this development will take place only if this change is one in substance rather than one in name.

The Democratic Alternative

In general, economic development sets a framework in which these sociopolitical changes may take place. It affords opportunities for the evolution of less tradition-oriented and more rationalized social and economic action. But whether these opportunities will be grasped and implemented so as to lead to democratic political institutions will also depend upon whether the nationalist symbols are used to enthrone a centralized bureaucratic authoritarian leadership or to provide new avenues for political expression of diverse functionally oriented interest groups in a sociopolitical framework in which power is not centralized but widely distributed.

HONGKONG'S AIR CONDITIONING BUSINESS

By Wilfred S. Wong

The business of making people comfortable by the simultaneous control of temperature, humidity, air quality and air motion has broken records in terms of volume all over the world. There are very few businesses which are as intimately connected with customers' everyday livelihood, health and mood as the air conditioning business. To satisfy customers' requirement in comfort or the industry's requirement in air conditions, it is necessary for the air conditioning profession to be engaged in continuous research in techniques and methods and to improve and perfect the service organization to the point of military efficiency.

Contrary to the general impression, the development of air conditioning in the Far East runs parallel to the development in New York City. For instance, during the mid-thirties Shanghai had its fully air conditioned skyscrapers such as the Chase Bank (Liza Building) and the Bank of China, while Hongkong had the Hongkong & Shanghai Bank Building. New York at that time had only half a dozen skyscrapers fully air conditioned. The main development of air conditioning buildings then was in the southern States of Texas, Arizona, Oklahoma and Florida. London had central air conditioning for the winter but no building was centrally air conditioned for the summer.

After the war Hongkong has forged ahead of any other place in the Far East by having 30 air conditioned theatres. Among the buildings that are air conditioned or will be air conditioned are the Government Secretariat, Hongkong & Shanghai Bank Building, Bank of China Build-

ing, Chartered Bank Building, Fu House, Central Building, Jardine Building, Wing On Building, Yu To Sang Building, Butterfield & Swire Building, Central Police Headquarters, New City Hall, etc. The best hotels in Hongkong are all air conditioned such as the Peninsula Hotel, Peninsula Court, Gloucester Hotel, Miramar Hotel, Sunning House, and Repulse Bay Hotel, the last one being air conditioned by room units as are many hotels of lesser appointments.

The total capacity of air conditioning installed after the war approximates 20,000 tons, not including room air conditioners. The number of firms engaged in central air conditioning are seven and the number of firms engaged in the marketing of room air conditioners are thirty-five. Although the firms engaged in central air conditioning are few, competition among them is so severe that over two million dollars worth of equipment was estimated to have been installed at or below cost. Among these were one cold storage, one consulate building, three hotels, three theatres, six restaurants, four ballrooms and two office buildings.

The reasons why competition is so severe in the central air conditioning field are threefold:—(1) The pressure from the manufacturers to obtain a greater share of the Hongkong market. (2) The anxiety of the sales engineers involved to make a showing on sales volume. (3) The lack of a cost accounting system to cross-check the estimates of the sales engineers.

All the above, however, contribute toward making air conditioning popular and the firms who take a fancy to air

conditioning have contributed no less than \$600,000 to "customers gifts" in the form of equipment and labour which were either under-estimated or left out of their estimates altogether.

Out of the thirty-five firms engaged in the marketing of room air conditioners, only half a dozen are recognised and qualified engineers having service and workshop facilities, while the rest are mostly trading firms who merely desire to participate in the attractive air conditioning business.

The particular characteristic and undertaking of the five-year guarantee and the one-year free service is perhaps not clearly understood by a number of these trading firms. The five-year guarantee means that the firms selling the air conditioners are under obligation to repair or replace within the period of five years and without charge to the original purchaser any component part or assembly of the refrigeration system, i.e. motor, compressor assembly, evaporator coil, condenser coil, capillary tube and interconnecting tubing, if same is found defective when operated on the standard voltage of Hongkong and Kowloon electric companies. Also, the one-year free service means the replacement of any defective parts pertaining to all parts of the air conditioner including the outside grilles, casing the fan motor, switches, etc. and free service during the first year, be they two or twenty calls.

In no other business is the demand for service so meticulous and so varied. Apart from legitimate service calls, the nature of service may range from forgetfulness in plugging in the units, loose connections, burning of the house fuse, cockroaches, rats and snakes short-circuiting electric currents, as well as causes by other acts of nature.

In order to carry out this guarantee the seller should carry spare parts for every part of the air conditioner including the whole refrigeration circuit and replace it completely if necessary. The seller should carry ample spares for all models, equip his workshop with modern tools, employ experienced engineers and mechanics and answer all service calls within the territorial limits of Hongkong quickly and efficiently. This is the nature of service. The cost of service reserve on each room air conditioner works out to an average of \$104 per unit. This is the statistics of a survey made over several thousand air conditioners operating over a number of years.

Unless the seller of air conditioners has a service reserve of approximately \$100 per unit, his operation would be tantamount to a bank operating without reserves to refund customers who want the return of their deposits, or an insurance company without sufficient reserves to pay claims. Unfortunately there is no such supervision over the air conditioning business and hundreds of people who buy air conditioners from less reputable sellers are frequently forced to pay exorbitant prices for repairs when these sellers have lost their agencies or switched to other business.

The troubles with air conditioners usually develop during the 3rd to the 5th year. Therefore, it has been the practice with unscrupulous firms to sell air conditioners for a few years and drop it, leaving the customers in the lurch as regards future service. Some firms who are able to sell the units much cheaper than they were sold in the United States merely pocketed the service reserve which should logically be reserved for service to the customers.

One reputable dealer in scientific service, who handled air conditioners for two years and made money, found that in order to back up the guarantee which he gave to his customers had to return all the profits he made during the

first two years at the end of the fourth year. He has given up the business but kept his reputation and integrity.

As regards local manufacture, there is one firm making cooling coils and fans and casings in Hongkong while importing U.S. built compressors. This is the only packaged air conditioner "manufacturer" in Hongkong. Another firm is contemplating the manufacturing of room air conditioners on the same basis as the packaged air conditioners. Whether the cost will be low enough for the volume of sales that will be made is a moot point and the product has yet to be field-tested from the customers' point of view.

One feature in the air conditioning business is the development of instalment selling. The majority of sales are made on the time payment plan and capital now does not turn over until one or two years later.

There has been some talk about the formation of an air conditioning and refrigeration association which will be formed by six major distributors, as a nucleus, representing six major manufacturers. The aim of the association is to establish some form of standards in the trade such as quality, rating, price, guarantee and service. This associa-

PAPER MONEY IN MODERN CHINA (1900—1956)

NOTE-ISSUING FOREIGN BANKS IN CHINA

By E. KANN

PART XXII

The bulk of the foreign banking institutions working in China did issue, at one time or the other, their own banknotes. This was done more for the sake of convenience in the Treaty Ports only, and less for profit. Only the Hongkong & Shanghai Bank had at times a comparatively extensive circulation, while the volume of paper notes channeled into traffic by the other foreign banks was rather small. The Japanese banks, who considered the banking field in China as their own domain, with rare exceptions, abstained from placing their own banknotes on the markets, because anti-Japanese boycotts inaugurated by the Chinese masses occurred rather often. Such incidents produced runs on the Japanese banks and created embarrassing positions; and it was thought judicious to withdraw the comparatively small issuance of paper by the Nipponese banks working in China.

The following tabulation represents a record of notes issued by foreign banks on Chinese soil, arranged according to nationalities:

British:

(229) HONGKONG & SHANGHAI BANKING CORPORATION

Founded in 1864 with head-office in Hongkong. Capital in 1957 stood at HK\$25,000,000, while reserves were given at £8,000,000. Apart from the Crown Colony of Hongkong, the bank issued paper money in Chinese dollars (and to a small extent also in taels) in Shanghai, Tientsin, Hankow, and some other places in China where branches were maintained. Such money was always highly regarded.

(230) NATIONAL BANK OF CHINA

Founded in 1891, but closed in 1911, when the bank had a paid-up capital of £600,000. This institution had a small note circulation in China, which was fully taken care of when withdrawing from business.

(231) CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

Established in 1853 in London, but entered the China field in 1858. By its original charter the bank was empowered to issue "Notes payable to Bearer on demand" at any of its branches, and a reserve in specie was to be main-

tion, if formed, will no doubt be of benefit to the trade as well as to the people of Hongkong.

There was a time when the trade situation of shipping and insurance was so confused that it was difficult for normal people to do business. In time, the shipping and insurance professions have formed their association and established standards.

The air conditioning business will no doubt some day find stability and progress when trade practices are standardized and standards are established.

tained equivalent in value to at least one-third of the notes in circulation. The bank's charter was amended in 1897 and again in 1922. The total note circulation was not to exceed without Treasury sanction the paid-up capital; moreover, the total liabilities of the bank were limited to three times the paid-up capital, with the addition of such deposits as had been lodged with it. These were the usual safeguards required under the colonial bank regulations drawn up by the Treasury and the Board of Trade.*

From the autumn of 1863 the Chartered Bank joined the other foreign banks established in Shanghai in issuing its own notes there, but the Chinese at Shanghai, unlike these in Hongkong, did not appreciate banknotes, and none of the banks had a large sum in circulation. One cause for this prejudice against paper money was the refusal of the Custom House at Shanghai to accept them in payment of its dues.†

On the 20th of July, 1885, Chartered Bank notes were once more put into circulation in Shanghai, the original issue having been withdrawn 15 years previously. Then the Chinese of Shanghai still regarded them (unlike their compatriots at Hongkong) with disfavor, and the results were disappointing.‡

Fiat money issued by the Chartered Bank in China during the first three decades of the 20th century, though small in volume, was very favorably regarded by the public. By 1950 Hongkong was the only place where Chartered Bank notes circulated.

(232) MERCANTILE BANK OF INDIA, LTD

Started business in 1882 with head-office in London. Paid-up capital was £1,470,000, while reserves and undivided profits in 1956 aggregated £1,969,372. In China the bank maintained a single branch office at Shanghai, where a very moderate issue of dollar notes took place. Same was well regarded. In common with all foreign banks it had to close down by order of the Communists in the early 1950s.

American:

(233) INTERNATIONAL BANKING CORPORATION

Organized in 1901 with head-office in New York, and a capitalization of US\$5,000,000. Had various branch offices in China. Since 1916 the bank was owned entirely by the National City Bank of New York. Issued notes through its diverse branches in China, the total of which (according to its balance sheet for 1923) was the equivalent of US\$3,188,101; there were both tael and dollar notes from this bank. The International Banking Corporation ceased to exist in China on January 1, 1927, being superseded there by the National City Bank of New York. Notes were very popular and existed in values of \$1, \$5, \$10 and \$50.

* See "Realms of Silver" by Compton MacKenzie, 1954, fol. 21-22.

† Ibid, fol. 59.

‡ Ibid, fol. 61.

(234) NATIONAL CITY BANK OF NEW YORK

Founded in 1812 in New York, where the head-office remains to this day.* By 1942 the bank's capital and surplus was about \$100,000,000. As the successor of the International Banking Corporation in China, the National City Bank of New York took over all the China branches and continued same under its own name. It redeemed the former's banknotes and issued others under its own name, both in taels and dollars. The excellent standing of the National City Bank of New York ensured an excellent reception for its fiat money, the volume of which was at no time large.

(235) ASIA BANKING CORPORATION

Organized in June, 1918, as a subsidiary of the Guarantee Trust Co. of New York; capital was US\$4,000,000. In the spring of 1924 the bank was liquidated by the International Banking Corporation. The Asia Banking Corporation issued dollar notes in its various branches in China, all of which were duly redeemed. According to its balance sheet for 1920, the note issue in China was the equivalent of US\$721,625, and on June 30, 1923, when the bank decided to close down, it aggregated about Chinese dollars 1,500,000. Notes came in denominations of \$1, \$5, \$10, \$50 and \$100.

(236) AMERICAN ORIENTAL BANKING CORPORATION

Same was founded at Shanghai in 1917 with a capitalization of US\$1,000,000, of which about \$430,000 was paid up in 1922. At the close of 1921, the bank's note circulation at Shanghai was the equivalent of US\$318,230 which, the bank announced, was covered to the extent of 100% by cash deposits with local banks. In the course of years the bank diminished its circulation, and when it did have to close its doors, it had no (or extremely few) notes outstanding. These came in denominations of \$1, \$5 and \$10, printed by the American Banknote Co.

(237) AMERICAN ORIENTAL BANK OF SZECHUEN

Opened for business in April, 1922, with head-office at Chungking, Szechuen Province. Originally organized under American laws, with an authorized capital of US\$1,000,000, of which one-half was paid up. American shareholders held 52%, while Chinese shareholders owned 48% of the stock. In 1932 the institution was bought by the newly established Mei Feng Bank of Szechuen (capital \$1,200,000) which gradually reduced the note-issue, until it was completely redeemed. Here we see the transition from an original foreign bank to a purely Chinese financial institution. The note circulation in 1923 had reached \$1,500,000 in denominations of \$1, \$5 and \$10. At one time the Peking authorities questioned the right of a foreign registered institution to circulate paper money in Szechuen Province.

(238) AMERICAN ORIENTAL BANK OF FUKIEN

Started business in September, 1922, with an authorized capital of US\$1,000,000 (or local \$2,000,000), of which one half was to be paid up. Like the Szechuen organization, 52% of the shares were to be held by the Raven Trust Co. (an American organization), while 48% of the stock was owned by Chinese interests. A branch office was opened at Amoy early in 1924. Notes were issued, but the circulation never exceeded Chinese \$400,000.

* In 1955 amalgamated with First National Bank; changed its name to First National City Bank of New York; capital and surplus much larger by now. Closed its China branches about 1950

After some years the enterprise was liquidated and the outstanding notes fully taken care of.

In a way the two lastmentioned banks are of the Sino-foreign type, i.e. joint-enterprises. But they are dealt with here as foreign banks, because they were registered under foreign laws.

German:**(239) DEUTSCH ASIATISCHE BANK**

Established in 1889 with head-office at Shanghai and capitalization of \$6,440,000, converted from taels. At Shanghai, as well as at its branches in Peking, Tientsin, Tsingtao, Canton and Hankow, the bank issued notes in dollars and taels. The tael notes were dated 1914 and came in denominations of taels 1, 5, 10 and 20. The note-emission of the Deutsch Asiatische Bank was strictly controlled by the Home Government and never reached large figures. During world war I the bank had to suspend operations in China, resuming business again in 1923.

It was in 1906 that the Deutsch Asiatische Bank obtained permission from the German Government to issue banknotes on condition that these were secured by bonds and stocks, mortgages or other values. The bank's guarantees had to be documented either in form of bills drawn on the six leading banks in the Reich, or else these banks had to hand to the Government their written guarantees (see "Deutscher Reichsanzeiger" of February 4, 1910, Berlin).

In 1907 the total sum of tael notes of the Deutsch Asiatische Bank outstanding was taels 443,000. But shortly before world war I (1913) the total had risen to the equivalent of taels 2,595,968, principally representing the equivalent of dollar notes. The fiat money of this bank was always well taken care of.

Dutch:**(240) NETHERLANDS TRADING SOCIETY**

Founded in 1824 and capitalized at guilders 55,000,000; head-office at Amsterdam. In China there was one branch only, namely at Shanghai. There dollar notes to a very moderate extent were issued. Dutch law required adequate reserves for note-emissions.

French:**(241) BANQUE DE L'INDO CHINE**

Started 1875 with head office at Paris. In 1942 the paid-up capital was francs 135,000,000. The bank enjoyed the note-issuing monopoly in Indochina, and such notes were also circulating in the neighboring provinces of China, notably in Yunnan and Kweichow. In China, proper, there was an attempt to issue tael notes in Shanghai, but this practice was soon abandoned as unremunerative. The author has seen a 1 \$ note, trilingual, English, French and Chinese, emitted by the Shanghai branch of the Banque de l'Indo Chine and dated 1901. Most likely the denominations of \$5 and \$10 also were then current, though in small quantities. He also believes that, when engaged in banking in 1910/12 at Tientsin and Peking, he met there small quantities of dollar-notes circulated by the Banque de l'Indo Chine.

(242) BANQUE INDUSTRIELLE DE CHINE

Founded in 1913 with a paid-up capital of francs 75,000,000 and head-office in Paris. Had many branches in China. The bank issued paper money in Shanghai, Tientsin, Peking

RECENT EXPANSION OF THE JAPANESE ECONOMY AND ITS EQUIPMENT INVESTMENT

Rapid Rate of Economic Expansion

The rate of the expansion of the Japanese economy in 1956 was remarkable. The rate of the growth of national income reached up to 13.4 percent continuing from 9.4 percent in 1955. It represents a more than 10 percent expansion, even discounting a price hike, and a growth of more than double an estimated growth rate of 5 percent for the 5 year economic plan. Besides, the rate of the growth of industrial production, consumption and exports showed double or triple of the estimate, and that of imports and private investment showed quadruple and septuple respectively. Such economic expansion in Japan ranked first of the world economy in 1956, surpassing that in West Germany and Italy.

The prime mover of the rapid economic expansion in 1956 was a remarkable increase of private investment (private domestic capital formation, including especially equipment investment—producer's durable equipment—and inventory investment—change in business inventory). That is why the Japanese economy in 1956 is termed "investment boom" against "export boom" in 1955. Yet, in 1956 too, exports were 24.4 percent more than a year before, according to the Customs Division, remaining an important driving force of the economic expansion.

Change of the Basic Tone in the Economy

Such expansion cannot be achieved without presenting some problems. As the Annual Economic Report for 1957, by the Economic Planning Board, points out, it gave all manner of effect on the Japanese economy. The first effect is the accumulation of backlogs in machinery. It amounted to one and a half year's shipment in the middle of 1956 (19 months' shipment in May). Second, money market became squeezed in the second half of 1956, from the easiness in the first half, heightening its stringency. The loans of city banks were expanding since 1956 along with the rise of investment, and so were deposits. Nevertheless, as a result of over-withdrawal in the general account due to the high level of business activity, that in the foreign exchange fund owing to excess imports, and the rise of cash demands reflecting the increase of income and consumption, loans to city banks by the Bank of Japan jumped and money market tended tight. The situation has been more outstanding since the beginning of this year. In the third place, some basic industries including iron & steel, electric power and transportation, which play an important part in production, have reached a limit of production capacity. Finally, comes a rise of prices. In 1956, while prices of investment goods rose sharply, those of consump-

in denominations of \$1, 5, 10, 50, 100 and 500, dated 1914. In 1921 the institution failed, and after lengthy negotiations its affairs were taken over by the Banque Franco-Chinoise who did not issue fiat money. The failure of the Banque Industrielle de Chine brought about unfavorable repercussions and inconveniences as far as other foreign banks in China were concerned. However, all its notes were finally redeemed. Seemingly there was no government control regarding reserves against notes placed into circulation.

(To be Continued)

tion goods and consumer price, directly linked with the nation's life, advanced relatively slow. That and the increase in imports were the prime factor of "uninflationary" price hike of that year. The inflationary impression was deepened since the rate of the consumer price advance grew rapid to some extent as the year 1957 set in. In the Western countries, the advance rate was slow, in terms of all prices, but, that of wholesale price approximating to that of consumer price, the inflationary crisis was keenly felt.

Consequent on the overreached economic expansion, finally, and decidedly, emerged unfavorable balance of payments. It was worried that the three bottlenecks in the industry, mentioned above, might retard the economic expansion on the boundary, becoming themselves a factor of reversal of economic activity. Earlier than that, however, with the sharp decrease of the foreign currency holdings due to the aggravated balance of payments, the Japanese economy could not help adopting tight money.

In the world investment boom since 1954, too, excessively rapid economic expansion gave rise to difficulties. In 1955, many countries suffered their unfavorable balance of payments. As a result, they strengthened tight money in order to check their domestic demands which were continuing to grow. Being behind the recovery of the world economic activity for one and a half or two years, the country thus ran into the balance of payments deterioration, and the monetary stringency was inevitable.

Unfavorable Balance of Payments

The receipts and payments of foreign exchange showed a large surplus of \$249 million during the period January through June, last year, but it declined to a surplus of \$44 million in the next half of the year. Since the beginning of this year, it further declined to show a considerable deficit, or \$399 million during the period January through June, and the real receipts and payments of foreign exchange, after the adjustment of the deferred payments by the Bank of Japan usance showed \$520 million in the red. Reflecting such situation, the nation's foreign currency holdings fell below the level of \$900 million at the end of June this year from \$1,420 million at the end of December, 1956. Considering that the foreign currency holdings include frozen payments for exports, and that a certain amount of foreign currency holdings is required for exchange operation, free reserves are considerably meager. To cover the current foreign currency shortage, the government decided to ask for the loan of \$300 million in total, \$125 million of which from the International Monetary Fund and the rest of \$175 million from the Export-Import Bank of Washington (\$60 million was the previous loan limit for the latter).

What caused the aggravated balance of payments? Since exports and special procurements rose during the period January through June, this year, it should be attributable mainly to the sharp rise of imports. While imports in 1956 were 37 percent more than in 1955 according to the Customs Division, and 34 percent more in terms of import bills, they showed a 56 percent increase in the first half of 1957 against the same period of the previous year, according

to the former, and a 67 percent increase in terms of the latter.

The factors of such increase of imports are reviewed below. First, the accumulation of imported raw materials inventory was carried out more than requirements of the production level. This is attributed to the fact that imports which were contracted hurriedly after the Suez crisis last autumn arrived this year and that speculative imports which foresaw a decrease of foreign currency budget for the latter half of 1957 (July 1955—March 1958) have taken place since April.

Second, as a more basic one, comes the rapid expansion of the economic scale and the increasing dependency on imports caused by the shortage of domestic resources. As production rose sharply, consumption of imported raw materials naturally picked up. Iron ore, scrap iron, pulp, petroleum and coal, or limited industrial energy of the country, became further dependent on overseas supply. Moreover, the production capacity of primary products such as steel, machinery, petroleum products, non-ferrous metal and chemicals reached a limit, and could not catch up with the secondary products production; so the imports of finished and semi-finished products were necessary to cover that shortage.

It should be regarded, therefore, that the recent rush of imports was ascribable not only to the accumulation of raw materials inventory but to the longer-term factor of excessively rapid economic expansion caused chiefly by the jump of equipment investment. For a measure to weather the situation, thus, the short-term import restriction merely through putting pressure on inventory is not enough. It is required, as the more basic measure, to brake the upward pressure of equipment investment and slow down the rate of economic expansion. Thus the investment as a whole was restrained or deferred by the "comprehensive measure" since June, this year, following the tight money adopted in the previous month.

Pursuit of Economic Restraint Policy

The Bank of Japan again raised the official rate of money in May, this year, after its raise in March, pursuing the tight money on a full scale. The discount rate of the Bank of Japan commercial bills was raised by 2 rin per diem to 2 sen 3 rin per diem on May 8, after it was raised 1 rin per diem on March 20. It represents a high level for 55 years since March, 1902. In addition, the Bank strengthened the restriction on fund volume and issued directives to city banks to curb their loans. Various steps for the direct import restriction followed. That is, (1) the withdrawal of foreign currency deposits with the foreign exchange banks by the Ministry of Finance, (2) a 30 percent reduction of spot loans to trading companies abroad, (3) a 1-month curtailment of the pound usance term and the cut of the qualified commodities and (4) the raise of import collateral and its re-deposit with the Bank of Japan.

Besides the above short-term steps, a long-term "Emergency Measures for the Betterment of the Balance of Payments", including the restraint of public finance, investment and consumption and the encouragement of exports, that is to say, "comprehensive measures" was made public on June 19. It is naturally supported by the three important props, (1) the intensification of import restriction, (2) the deferment of payments of public finance and private equipment investment, and the reduction of domestic requirements by the savings promotion, and (3) the increase of exports. The restraint of the equipment investment of private industries was the chief objective of the measures.

Recent Development of Equipment Investment in the Private Industry

Increase of equipment investment: The recent active equipment investment took place from the latter half of the 1955 fiscal year (April, 1955—March, 1956) and has become in earnest since the beginning of the 1956 fiscal year. The export boom, which thrived after the latter half of the 1955 fiscal year, gave an incentive to investment volition in the export related industries. In the 1956 fiscal year, export boom influenced domestic demands, investment becoming active chiefly in the consumption goods industries. The textile industry and department stores foresaw a restriction of extension and rushed their additional installation. Investment during this period was of quantitative expansion. With domestic demands expected to grow, investment to the industries for investment goods and production goods, caused by the investment to consumption goods, rose. Besides, it showed a characteristic of not only the quantitative expansion but also qualitative one, that is, equipment modernization. As a result, investment boom heightened the burden of iron and steel, electric power and transportation, causing therefore bottlenecks in some basic industries; and to tide over the situation investment tended heavier. Investment to the newly grown industries, such as petrochemicals, synthetic textiles and plastics rose remarkably, continuing increasingly a growing tendency.

Scale of equipment investment in the fiscal year 1956 and its characteristics: The equipment investment by the 15 industries under the jurisdiction of the Ministry of Trade & Industry amounted to ¥641,700 million in the period under review, or nearly 78 percent higher than in the previous year. On the other hand, the Economic Planning Board surveyed the total private producer's durable equipment in the industries including the above mentioned 15 industries, agriculture, forestry and fishery, commerce, service, transportation and private individuals. It amounted to a total of ¥1,393,000 million, or a 76 percent increase as compared with the fiscal year 1955, and a 68 percent increase as compared with the fiscal year 1953, a year of investment boom. If reviewed by the financial side that materialized the investment, according to the "Total Amount of New Supply of Industrial Equipment Funds" by the Japan Development Bank, it was 82 percent and 73 percent higher in the period under review than in 1955 and 1953 respectively. And, the "Survey of Orders Newly Received for Machinery" reported by the Economic Planning Board, shows that demands by private circles indicated 2.7 times those in the previous fiscal year. How the investment scale was large last year may be seen by the above figures.

The characteristics of the investment are: (1) the rise of the ratio of machinery installation. This reflects a change to thermal-mains with hydro-auxiliaries in the power industry and hasty replenishment of equipment in the industry as a whole since the latter half of 1956. (2) investment became heavier, and the term from investment to production longer. It gave an effect on the marginal capital coefficient.

Under the investment boom characterized by technical renovation especially since the latter half of 1956, some changes occurred. The industrial structure tended toward roundabout way, priority shifted from consumption goods industry to investment goods, the importance of newly grown industries being increasing. These changes were one of the factors to push investment as a whole heavier, to improve the marginal capital coefficient, and to increase the marginal credit requirements.

The reasons why the sharp upturn of investment took place are the following. (1) The easy raising of funds

owing to high profit and easy money and (2) the loan competition among city banks in addition to the keen competitive volition for rationalization among industries. Such being the case, the investment in the fiscal year 1956 was 18 percent higher in its first half than the previous half and 61 percent higher in its latter half than that, showing a rapid advance ratio. And that rush of investment, makes a principal factor of the expansion of the Japanese economy, which brought about a materialization of industrial bottlenecks, and a sudden change in the financial situation since last autumn.

Equipment Investment Plans in the Fiscal Year 1957

According to the survey of the Ministry of International Trade and Industry at the end of January, 1957, the equipment investment plans for the current fiscal year show a 33 percent increase as compared with the previous fiscal year, its scale being one of astonishing size. As compared, however, with the level of the latter half of 1956, which constitutes the major part of the last year's increase, it is only a 8 percent rise.

The features of the plans are, first of all, importance placed on the newly grown industries and the bottleneck industries. Textiles, petroleum refining and chemical fertilizer, which experienced a sharp increase in early 1956 and at present in the state of over-equipment, show a declining tendency. The investment for the two importances is continuing growth of 65 percent of all investments.

The second is the exceedingly high ratio of the continued investment which constitutes 80 percent of all. 65 percent of them is occupied by the bottleneck and the newly grown industries, most of which were set about in the latter half of 1956. The same 65 percent of the new investment is occupied, similarly, by the above two types of industry.

Trend of Equipment Investment since Tight Money

The plans for the current fiscal year cover essential investment. The major part of them is for strengthening the basic industrial field so as to correct an imbalance of the industrial structure, that is, for the bottleneck industries, and for encouraging the rationalization of the industrial structure, that is, for the newly grown industries. Since that is important to economic expansion in the future, will and initiatives of the industries are, therefore, very strong.

Such being the case, considerable difficulties were expected with regard to the restraint of the investment. The measures should be rigid, but it should not be excessive as to check the rationalization of the industry. To strain unessential investment and to place priority on certain industries are the only means to meet the situation. But without putting pressures on the priority industries, too, there might be a limit on the effect of the restraint.

The Ministry of Finance decided on June 2 the policy to defer a 15.9 percent of the government loans and investments for the current fiscal year based on the Emergency Measures. According to the circumstances, the Fund Council made public on July 3 the necessity to defer more than 15 percent of the initial estimates of private equipment investment and set to an examination of the concrete measure. The estimate of the private equipment investment for the fiscal year 1957 is ¥1,735,300 million, 15 percent of which, or ¥260,000 million, is an objective of the restraint.

Subsequently the Council decided a deferment plan for the 5 important industrial fields. According to the plan, ratios and amounts of the deferment are: (1) 11 percent

or ¥25,000 million in electric power, (2) 12 percent or ¥15,000 million in iron and steel, (3) 10 percent or ¥7,500 million in synthetic chemicals, (4) 10 percent or ¥10,000 million in shipbuilding and (5) no deferment in coal. The total deferment shows ¥57,500 million, or little more than 10 percent of their investment plans of ¥552,200 million. Owing to the requirement of more than 15 percent deferment in all industries, it points out, the other industries are also expected to defer the considerable ratio of their plans. And those unproductive as well as unessential, including building construction are required to defer all their plans.

The conclusion was notified to the Loan and Investment Committee of the All Japan Bankers Association, and with the Committee as a leader has become to be translated into action.

The Voluntary Credit Restraint Committee of the Association also reached a conclusion that loans are not extended to (a) the unessential industries, (b) new equipment plans excluding the priority industries, and (c) rationalization plans of the priority, unless they are of urgent necessity.

On the other hand, the Bank of Japan intensified the quantitative restriction on money through the "moral suasion", curbing the loans to city banks to the utmost, loans to industrial circles by them having become tight. Therefore, though some of the investment plans were deferred in accordance with the above-mentioned policy, the funds for the rest of the investment could not be secured. In fact, in terms of the recent financial situation, as is seen in the stringent money holdings in the city banks, the absorptency difficulty of debentures, and the heavy withdrawal of government funds, private industries are believed likely to defer 30 percent—40 percent of their investment plans.

The Bank of Japan not only raised the nominal rate of interest on corporate debentures and local debentures for curbing the investment activities, but set up a framework of the bank's debenture investment as one of its moral suasion. The raising of new debentures since June has become quite impossible, except in the case of refunding debenture issues, with some addition on the matured amount, chiefly in electric power. The raising through such means is, accordingly, believed to go into difficulties in the future despite the improvement of debenture issue condition.

Machinery orders during the past several months which reflect the trend of equipment investment show that new orders from the private domestic industries fell 28 percent in June as compared with the previous month. Monthly orders during the first quarter (April—June) experienced a sharp fall as compared with the previous period, going back to the average monthly level of the fiscal year 1956. As is seen from the above figures, the investment that was showing a rising tendency from early 1956 has been reaching a low mark with the period January—March as a peak. The decrease of the new investment has been particularly earlier and steeper than expected, reflecting the financial pressure by the policy.

In addition, import letters of credit opened during July showed \$210 million keeping roughly an equilibrium with \$209 million of export letters of credit received, so the balance of payments about November is likely to balance.

These facts are, however, merely produced by the pressure of artificial tight money. The recent deferment or the decrease of the investment were not produced directly by overproduction but by the difficulties in obtaining bank

loans. The will for equipment expansion of the industries remains still strong and the same as regards imports.

Accordingly, it would not be advisable for the authorities to relax the reins of the tight money, until the industries tend to adapt themselves to the policy, that is, they positively reduce or defer their investment, restrain their imports and promote their exports. Besides, even

though the balance of payments regains its equilibrium by the end of this year, there still remains much obligation (\$125 million from the International Monetary Fund, and \$174 million from the Export-Import Bank). To increase the surplus of international payments, repay the debt and restore the lost foreign currency, therefore the tight money should be maintained for the time being.

DECEPTIVE TOURIST PROPAGANDA BY PEKING

By Richard L. Walker

Over recent months the government in Peking has shown a surprising disposition to disclose—both explicitly and implicitly—the existence of unrest, discontent, resistance and failures in Communist China. These disclosures have permitted a more realistic assessment of conditions in China than was heretofore possible; in this respect they have also served to underscore the inaccuracy of impressions gained by some of the many recent foreign visitors to the mainland. For example, a group of visitors returning to Hongkong in April 1957 commented upon the enthusiasm and support of Chinese youth for the regime. This was at the very time China was beginning to release cautious reports of protest demonstrations and strikes among the students. Again, a report by a seven-man Indian study group which had spent three months in China in 1956 was released in New Delhi on June 2, 1957. Although two members issued a dissenting opinion, the majority report stressed the “success” of China’s cooperative movement in the countryside, commenting on its voluntary aspects and on popular “enthusiasm,” and recommending a similar program for increasing agricultural production in India. This report appeared after the new wave of “self-criticism” in China had led to admissions of widespread peasant resistance and the excessive use of violence and force in the cooperative drive. Shortly afterward there were further disclosures of starvation and of a decline in livestock and agricultural production. Again, a critical Chinese observer from Singapore reproduced in a popular article in a Western travel magazine the Communist claim that illiteracy had been basically eliminated in China. This came at a moment when the Communists were acknowledging great shortcomings in their mass literacy campaign.

In these and many other such cases non-Communist visitors to mainland China have made honest and concerted efforts to be objective and factual; the inaccuracies in their reports—here paradoxically brought to light by the Communists themselves—point up the extent to which their efforts have been frustrated by the nature of their controlled visits and indicate the care which must be exercised in utilizing information provided by visitors to a totalitarian state.

For handling foreign visitors the Peking regime has applied the same techniques developed by the Soviet Communists over the past four decades. These include the effective utilization of guided tours, front organizations, cultural delegations, and controlled media of communications. It will be recalled that some of the most glowing reports of conditions in the USSR were being circulated in the outside world during those very years when Stalin’s enforced collectivization, liquidation of the kulaks and sub-

sequent great purges were taking place. Despite thousands of conscientious visitors to the Soviet Union there was comparatively little reportage of the terror, starvation, slave labor and other appalling conditions in the country to balance the rosy accounts of a nation in progress. The actual facts behind the facade did not become manifest to the outside world until much later. The fact that the Chinese Communists have been utilizing almost identical methods for shepherding visitors to their land should give pause to those who would give uncritical attention to the reports of eye-witnesses, however capable and objective they might seem.

Organized Hospitality

Visitors to China today are handled by the China International Tourist Service, which is an agency of the Chinese People’s Society for Cultural Relations with foreign countries (hereafter CPSCR). The latter organization (the counterpart of VOKS in the USSR) was established in May 1954 under the Ministry of Foreign Affairs, and works in conjunction with the Ministry of Culture and the various mass organizations in China. Among its major functions it handles the affairs of the so-called Friendship Associations, which serve as front organizations in other countries for the distribution of Chinese Communist materials and which help to organize and direct groups visiting the mainland. CPSCR provides interpreters, arranges interviews, and in general gives guests in China flattering attention and hospitality. Such organized official attention to visitors already has paid dividends for the Peking regime in terms of many favorable reports printed abroad by non-Chinese.

In the past three years the Communist regime has stepped up its program of political tourism appreciably. The Chinese Intourist announced on February 21, 1957, that tourists from any country would be welcome in China. Actually primary attention is given to the countries of Asia (especially Japan and India) with growing overtures to Latin America. In 1955, more than 4,700 visitors from 63 countries have come to China, and the People’s Daily of January 21, 1957, claimed that the number for 1956 had increased to over 5,200 persons representing 75 countries. Of the 1956 visitors 1,243 were Japanese, according to the figures of the Japan-China Friendship Association. These figures are small in comparison, for example, to the more than one million visitors to Great Britain in 1956; but the professional status of the visitors (most of them cultural figures, authors, and leaders of public opinion in their home countries), their impact when they return (a sizeable proportion write books or newspaper accounts), and the great interest which attaches to the powerful Communist state

on the China mainland—these and many other reasons combine to make the handling of guests an important aspect of Peking's conduct of foreign relations.

Most visitors or visiting delegations enter China through Hongkong. From the moment they cross the border into Chinese territory at Shumchun and board the train to Canton, they receive personal attention and their journey moves expeditiously. The Indian, Sailakumar Mukherjee, tells how the Vice-General Secretary of CPSCR and the Vice-Secretary of the China-India Friendship Association journeyed all the way from Peking to Shumchun to greet the 35-member Indian "friendship delegation" in 1954 and stayed with the delegation throughout its journey.

The Standard Itinerary

According to authoress Han Suyin, most visitors "do" China in about twenty days. Many, however, have stayed for as long as forty days to two months. The itinerary usually includes a train trip from Canton to Hankow and then on to Peking. If the trip is by plane, then the return trip is usually by train. About one-third to one-half of the visit is passed in Peking in a combination of interviews, conferences, parties, meetings, "cultural" activities, and short trips outside the city. Then comes a trip to China's industrial heart, Manchuria. This is sometimes followed by a journey into West China, to Sian, Lanchow, and possibly the new oil center at Yumen. Some go to the wartime capital of Chungking where an ostentatious combination guest-house and cultural palace has been erected. Many tourists visit Mao's birthplace and talk to an uncle of his (one correspondent refers to "uncles" working in shifts), and most visit Shanghai and Hangchow and then return to Hongkong. There are, of course, variations on this itinerary, but most of those who have written accounts of their visits to China have followed roughly the same course.

Peking itself has always been hailed as one of the most beautiful cities in the world. There could be no better spot for the extensive briefing and self-confident recital of figures which prepare most visitors for the rest of their trip around China. Usually invitations are timed so that the guests can see one of the mass demonstrations or parades of power staged on such occasions as the international Communist holiday, May 1; Red Army Day, August 1; or the anniversary of the proclamation of the regime, October 1. The Japanese journalist Hitoshi Wada states that he and some fellow Japanese were invited to China in 1955 with the stipulation that they enter within a specified ten-day period. He believes that this was to insure the presence of the Japanese journalists at the time of the visit of the then Indonesian premier Ali Sastroamidjojo. The Chinese leaders put on a tremendous parade of their ability to organize and control masses of people for the visiting Indonesian.

From Peking visitors go to the Great Wall, visit the university center out toward the West Hills, tour the model Taiping Village a short distance to the West. Some visitors ask to see a prison and are taken to a model jail in the suburbs outside the city wall. The Indian Professor J. C. Jain; James Cameron, correspondent of the London News Chronicle; the London Editor of *Ce Soir*, Adalbert de Segonzac; G. S. Gale who accompanied the Attlee mission to China in 1954; Robert Guillain, correspondent of *Le Monde*—these and many others have published accounts of visits to the same jail where they are given the same briefing by the same person on how the prisoners (two-thirds of them political) are enjoying their "reform through labor service."

In Manchuria visitors see various new industrial plants: A few have gone as far north as Harbin to see the new Precision Instrument and Cutting Tool Factory and the jute factory located there. Most confine their visit to four main centers. They go to Changchun to see the new Motor Car Factory No. 1, and they visit the industrial triangle of the cities Mukden, Fushun, and Anshan. Anshan is very impressive with its new rolling mill, blast furnaces and seamless tube steel plant. Most visitors also take a side trip to the Kao Kan collective farm near Mukden.

In their later accounts many of the tourists have reproduced the history and statistics rattled off for them during their tour. Cameron, one of the more discerning of the visitors, comments on such a visit:

And then one saw the simple peasant, chosen at random, and he was so palpably well rehearsed, one's questions faded away; one asked for a village and one found oneself in a place so immaculate that its roads were tramped smooth by the feet of endless delegations that had gone before.

At Fushun several of the delegations have been introduced to the same model worker. Cameron remarks, "I felt as though I had been talking to a brochure. It often happened that way."

"Guidance" with a Velvet Glove

There is, then, a fairly standard schedule for visitors to China. Occasionally an inquisitive reporter will wander from the beaten path; but there are now a sufficient number of published accounts of these visits to indicate their uniformity—matching the dull, drab uniformity which pervades so much of the Chinese scene today and on which so many observers have commented. Some visitors emerge feeling that they have avoided the guided tour routine. The Indian journalist A. K. Reddy reported that he had "steered clear of the beaten track of a conducted tour," but his account indicates that he saw exactly the same sights and institutions as other delegations. Even the perceptive Scotsman James Cameron, who feels that he "saw a great deal more than has been seen for some years," reports on the same model factories, farms, collectives, Shanghai kindergarten, and other sights as, for example, the Indian Dhirendranath Das Gupta, Adalbert de Segonzac and others. Swiss reporter Peter Schmid remarks: "The Travel Bureau functions with smooth efficiency as long as the visitor sticks to the beaten track; it breaks down completely as soon as he takes a single step off the tourist trail."

There are numerous other obstacles which stand in the way of balanced reportage of visits to the Communist mainland, even for those who go to Mao's China with a determination to penetrate through the organized hospitality. First, of course, is the language problem. Very few of the visitors have had previous experience in China and must rely on the aid of interpreters provided by CPSCR. Several have noticed that the interpreters are usually young and that their knowledge of the particular foreign language involved is strictly book-learning. Peter Schmid feels that the regime does not trust the Chinese who have lived abroad and prefers to rely on younger and politically more reliable cadres. He notes that "for anyone coming into contact with foreigners, loyalty to the party line is more important than ability."

It is difficult for the non-Chinese-speaking guest to get around without guides and although many visitors are under the impression that they are free to go where they will, supervision is such as to indicate that all has been well planned in advance. To quote Cameron again:

I found myself beside a young man who by chance spoke English, who was by chance going to Canton, who by chance

knew both my name and my mission, and who by chance was in a position to stand by me until the end of the ride. He was more than amiable; in the end I was sorry to lose him, but somehow he was always replaced. . . . As we ground into Canton station . . . the new government man appeared with superlative timing precisely at my window. . . .

For those who ask to visit places or persons unacceptable for the guided tour, there is usually the reply that the hosts will try to arrange it, but the scheduled visit is naturally over before any reply is forthcoming. No foreign visitor has yet been permitted to rove the countryside at will. None has talked with such controversial purged intellectuals as Professors Liang Shu-ming or Hu Feng. Places to which visitors are denied access include Tibet, minority areas, border regions, the coastline of South China, defense works, forced labor camps, and famine and flood areas. Few see any but model developments, few have talked to any but officially appointed spokesmen. Anonymous conversations on park benches would be about the best the foreigner could hope to achieve in terms of getting unofficial views. One Chinese from Tientsin is quoted as saying: "Even we Chinese dare not discuss public affairs among ourselves for fear of being denounced in some future campaign of criticism and self-criticism; how then could a foreign visitor expect us to tell him the truth." Robert Guillain has also commented on the uniformity of official answers, even those given in private.

Further difficulties for the visitors are the crowded schedules devised by their hosts, the time taken up by gestures of overwhelming official hospitality (especially the superb Chinese banquets and dinners), and the obligation to pay courteous attention to the lectures provided by the government for tourists' "convenience." Within China local newspapers are not allowed to circulate freely, and the news which would enable the observer to place his observations within a context is confined to official briefings, handouts, and the few papers and magazines which are official at the national level. Frequently the visitor must wait until he leaves Communist territory and reaches the Hongkong listening post before he can ascertain the full current picture and how his limited observations fit into it. It was in Hongkong that the story of the 1954 floods, the worst in Chinese history, broke. Most of the visitors to the mainland in the late spring and summer that year knew nothing about the seriousness of the situation until they left China.

Information vs. Propaganda

All this tends to point up one of the most important ramifications and implications of the eye-witness visit. The individual visitor to China is obviously so limited in the duration and extent of his travels that he must rely on the figures of the regime for placing what he has seen into some sort of overall account when he makes his report after leaving China. Obviously, he cannot find out from personal experience the figures, for example, on the production of foodstuffs or steel. He therefore finds himself in the position of having to repeat or reproduce in black and white the statistics provided by the Communists. The fact that he has been to China in turn tends to lend a certain air of authenticity to the figures he quotes, even though he may be cautious enough to note that they have been provided by his hosts. Thus the regime has at least some control over the information which foreigners disseminate. Many Indian visitors have, for instance, reproduced on faith figures on the Chinese land tenure situation before the Communists came to power, figures which subsequent Communist reports have indicated were sheer fabrication.

Obviously the regime is interested in showing, and most visitors interested in seeing, what is new in the new China. Because the guided tour includes new industrial plants, new housing and model installations, even the most cynical observer is likely to get the impression that the Communists are accomplishing wonders, that everything is new, that progress is the only thing to report about China. Indeed many of the spanking new plants are impressive and do make good showpieces. Anshan is enormous, but as Schmid points out, it hardly compares with some of the new installations in Japan and West Germany. By contrasting old and new the Communists make the erroneous suggestion that modern industry and planning were non-existent before they came to power. Some visitors are intellectuals and cultural leaders who have not troubled to visit works in their own countries of the type they are shown in China. They come from countries where official government tours, monolithic presentation, and boasting are not official policy. Many are as a matter of course taken in by a tour confined only to items which will create a favourable impression. Mukherjee comments:

I could feel that many members of our delegation to China were not even aware of many similar or greater accomplishments of India when we were shown industries or handicrafts of China or the progress China had made in art and culture. A member who has not seen a single river valley project in India was vociferous in praising the achievements of China in this matter when he saw one of her river valley projects which in magnitude was not one-tenth of our big projects.

* * *

These, then, are some of the difficulties which stand in the way of making visits to China all that either the participant or the outsider to whom he communicates might wish. There is another ramification of this form of cultural relations among nations which deserves some comment. Visitors whose interests and functions remain outside the pale of government concern in their own countries are brought into close association with Chinese individuals and groups whose activities are of intimate concern to the Communist regime. As leading figures in their own countries they can then become influential exponents of some of the goals of the Communist regime without being consciously aware that they are being so used. Their speeches of thanks to their hosts are made to sound like endorsements of the policies and proposals of the Peking regime, and their reproduction of Communist official handouts gives added weight to the claims and statistics by which sober and critical appraisal—and indeed unfavorable revelations from leaders in Peking themselves—are pushed into the background.

Despite some of the problems and implications sketched briefly above, the accounts of some of the more discerning guided tourists have aided in offering understanding of China today. These accounts must be read in conjunction with a close monitoring of the Chinese press and of the reports of refugees who continue to pour into Hongkong and Macao. Such observers as Hitoshi Wada, E. S. Kirby, James Cameron, Robert Guillain, Peter Schmid, George S. Gale and many others have helped to balance the more uncritical accounts of recognized or admitted fellow travelers. All of the named observers have, with one word or another, agreed on the tragic fact that "a formerly shrill, noisy, infinitely amusing nation has become silent, bored and gloomy," to quote Guillain. In this sense, they have provided a background of first-hand observation to help explain the recent flow of reports, and even official hints, of mass dissatisfaction and discontent emanating from China.

PROSPECTS OF SINGAPORE

Singapore has gone far enough and fast enough ahead along the path of self-government to have gathered a momentum which cannot now be checked. But the way is not so clear ahead that Singapore can walk backwards with its eyes fixed on the past merely to assess the distance it has already travelled. The further and faster it travels, the more realistic must be the assessment of the problems ahead, and the clearer the map of the road it has chosen to take into the future.

The immediate political problem ahead is to absorb the largest injection of democratic procedure that Singapore has yet received. During the coming year, there will be elections for 32 City Councillors, for 36 Rural District Councillors, and 51 Assemblymen, i.e. 119 elected representatives in all. And if there is to be a contest in each case, that will mean that some 240 people must come forward to contest the elections. That is a large call on the public leadership of any community of the size of Singapore. Moreover, the electorate will have reached the figure of 750,000. The effect of this can only be fully realised when it is contrasted with the figure of 75,000 on the electoral register in 1954. That is, there has been a ten-fold increase in three years. For the 1955 Elections, there was an electorate of 300,000. Since that time, there has been an increase of 150%. These are the voters who will select the people who will control the full internal self-government of Singapore for the next three years before there are any further elections.

With the coming of the Citizenship Bill, if all who are eligible will register, it will be the first time that the great majority of the adult people have full Citizenship rights, and will be pulling their weight in the political sphere. The stage which will begin with the passing of the Citizenship Bill, and which will end with the installation of a Malayan as the Yang di-Pertuan Besar at Government House, will be a change of substance and not of form. The transfer of power, except in the fields of external affairs and external defence, which are not of immediate impact on the day-to-day life of the ordinary man-in-the-street, will be complete. Those elected will be responsible for meeting the legitimate expectations of a rapidly growing population, with expectations of a rising standard of life.

The new community has got to be varied enough to give scope for all the range of initiative of a full-grown

community and must aim to give the full satisfactions which are engendered by the prospects of self-government. Above all, it will call for the kind of loyalty of which the Chief Minister spoke in his recent speech in the Assembly in which to be a Singaporean will not only be something uniquely different from the other national groups but something of which to be uniquely proud.

Communities are not built by political movements alone. They must be built by the free intermingling of people of all groups, a greater degree of mutual interest and co-operation to build up the feeling of a common purpose.

In the economic sphere, in the decade ahead the major source of the wealth of Singapore must continue to lie in its trade and commerce. Singapore is the market place of South-East Asia, because the peoples of South-East Asia have found it efficient in meeting their needs at what they consider a reasonable price. But whether this continues to be so depends on Singapore maintaining the goodwill of its neighbours. They must be welcome to set up their institutions in Singapore, as the Bank Negara of Indonesia and the Bank of Thailand have already been set up. There must be close links with the majority people of these territories, and above all there must be a relationship of equality between Singapore and both its suppliers and its customers. This implies, too, that Singapore must be a stabilizing rather than a disturbing element in the pattern of South-East Asia.

Only if Singapore can keep its suppliers, and its customers, through bonds of mutual and fairly-balanced interest can Singapore continue to be as Raffles described it—the "Emporium of the Southern Seas". But this requires much more effort than is given at the present. Singapore must publicise its unrivalled facilities as a port.

Singaporeans must go out more frequently on missions of goodwill to its suppliers and its customers. It cannot be taken for granted that the pattern of the past will continue unchanged and effortlessly into the future. Singapore can look ahead confidently and successfully—if only it sees the need to look ahead. The urge to be free has proved itself. The question is no longer—what do we wish to be free FROM?—but what do we wish to be free FOR?

ECONOMIC LETTER FROM MANILA

The reason why underdeveloped countries sometimes appear not to want foreign investment was the subject of the address which Governor Miguel Cuaderno of the Philippine Central Bank delivered before the International Industrial Development Conference, sponsored by Time-Life International and the Stanford Research Institute. "It is not that these countries do not appreciate what foreign investments can do to hasten the pace of their economic development. Rather, it is their natural desire to have a larger share in economic undertakings. Their citizens want to become industrialists, businessmen and financiers in their

own lands. They realize that if they are to have this opportunity, now is the time; not after such economic activities shall have fallen into the hands of foreign elements." The basic fear is that large-scale foreign capital, once it is admitted to a country, will dominate not only the country's economy but its social life and its politics, too. This fear generates the sentiment, which exists to some degree in all underdeveloped nations, that foreign loans are preferable to foreign investments. Gov. Cuaderno pointed out that this attitude was generated in the days of colonial administrations, when the colonial

peoples became convinced that they were not getting a just share of the results of their labors. They become convinced that political freedom would bring a change in their economic lot, and now that political independence has been won in most cases, they expect higher incomes and better living conditions. Pressed by the persistent demands of the people, the governments of the newer countries have embarked on the task of developing their economies. The problems they face are many—and one of the most difficult is an adverse balance of trade. "Low productivity and import restrictions in the countries where they sell a few of their primary products prevent them from increasing their export earnings," the Philippine banker noted. "Increasing production of synthetic materials as substitutes for what the industrial countries used to import from the raw material-producing countries has the same effect." Gov. Cuaderno said that financial assistance from abroad in the form of governmental foreign aid will not likely be forthcoming in sufficient amounts, since "it has been estimated that if the national income of underdeveloped countries is to be raised by 2% a year, about \$19 to \$20 billion yearly will be needed. Of this amount, it is estimated that only about \$5 billion are available from domestic savings, leaving about \$15 billion that must come from elsewhere. It would be illusory to expect that foreign aid approximating this amount is possible." Foreign investment is urgently needed by the newer countries, Gov. Cuaderno indicated, but he pleaded for a better understanding of the conditions which they feel they must set up to accept it. As an excellent approach to the problems involved in foreign investments, the Central Bank head suggested joint-ventures between local and foreign capital. He said that ventures of this type in the Philippines, especially those involving Americans, "leave little to be desired and have been mutually beneficial."

The Bataan Pulp and Paper Mills, Inc. to be established in Samal, Bataan, will be able to produce several varieties of high-quality printing paper from native bamboo (buhô). Experiments conducted recently at the United States forest products laboratory in Madison, Wisconsin, showed that bleached Philippine bamboo pulp can yield high-quality printing paper such as No. 1 quality bond; airmail bond, having a good bursting strength formation, and good quality lithographic paper; and offset printing paper. Unbleached bamboo pulp could also be used to make specialty bags or wrapping paper comparable in bursting strength to those produced from sulfate pulp from commercial southern American pines. Another possibility is tablet paper which can be produced by mixing bleached bamboo pulp and local softwood available in the company's concession. Paper technologists at the U.S. laboratory were convinced that the bleaching quality of Philippine pulp compared favorably with that of sulfate pulp made from the best North American hardwoods, and its tearing resistance was equal to that of sulfate pulps from Southern pine and second-growth Douglas-fir.

The Producers' Incentives Committee, set up by Pres. Garcia, will begin public hearings to get the views of all segments of the population on the best means to provide incentives to producers for the greater output of goods which the country needs to bolster its foreign sales and combat inflation at home. As an initial step, the committee has authorized a technical committee to determine which goods are regarded as "essential" by Philippine families with an average income of P300 a month. The committee is composed of Antonio de las Alas, president of the Philippine Lumber Producers Association; Fernando E. V. Sison, president of the Philippine Chamber of Industries and the

presidents of the Philippine Chamber of Agriculture, Philippine Bankers Association and Philippine Producers & Exporters' Association; and Mrs. Trinidad F. Legarda, Jose Hernandez, Domingo Abadilla and Helena Z. Benitez.

The expansion of Philippine trade with Europe in recent years is encouraging. Last year Philippine exports to Europe reached a new high at P188 million as compared to P145 million in the preceding year. In 1949 exports to Europe were valued at only P77 million and in 1950 at P89 million. Imports from European countries likewise have risen steadily from P41 million in 1949 to P99 million in 1955 and to P130 million last year. Trade with the Benelux countries (Belgium, the Netherlands and Luxembourg) has accounted for the bulk of trade with Europe. Exports to that area during 1956 were valued at P95 million, compared to P68 million in 1955 and P9 million in 1949. Imports from the same area increased to P39 million in 1956 from P29 million in 1955 and P15 million in 1949. Germany has developed steadily into one of the biggest markets for Philippine products in Europe. Last year Germany absorbed P28 million of Philippine exports against P18 million in 1955 and P14 million in 1949. Imports of German goods last year were valued of P35 million against P23 million in 1955 and P2 million in 1949. The United Kingdom has been increasing steadily its sales in the Philippine market from only P10 million in 1949 to P26 million in 1955 and to P31 million last year. But its purchases from the Philippines have not quite matched its exports to this country. Last year the U.K. bought only P14 million worth of Philippine products, moderately better than 1955 purchases of P11 million but way below 1952 imports from this country valued at P26 million.

The National Rice and Corn Corporation has begun wide-scale public demonstrations of a new rice and corn mixing machine invented and sold to NARIC by Robert Kauffman, an American inventor from Massachusetts. The machine is proving convincingly that it can turn out rice-like grits of corn which, when cooked three to one with rice, cannot be told from straight rice even by experts. NARIC officials have high hopes that the mill will be a great economic boon to the Philippines, since corn is much lower in price than rice here and prospects for expanding the corn crop appear to be better than for expanding rice production.

Modesto Farolan, Philippine tourist commissioner, announced a million-peso program of improvement to Philippine tourist spots, with emphasis on Tagaytay City. Plans for Tagaytay call for construction of resort houses by Taal Lake and improvement of the area's park, and its zoo. There may also be a cable car crossing over Taal lake to Taal volcano. The tourist commission is negotiating with the Manila Railroad for the improvement of hotel facilities in Legaspi in Albay for visitors to Mayon volcano. Other improvements are slated for Corregidor and the commission is looking for a local shipping company to set up ferry service to The Rock from Cavite and Manila.

A rolling exposition of Philippine-manufactured goods again took to the rails of the Manila Railroad this year from Oct. 12 to Dec. 12, traversing the Philippine provinces from La Union to Albay. Products of 22 exhibitors will be carried on 11 coaches and 5 flat cars.

A new firm, Embroidery Industries Philippines, Inc., has been registered with the SEC with a subscribed and paid up capital of P200,000 and an authorized capital of P1,000,000. The incorporators are all Filipinos. Offices and factory will be located in Polo, Bulacan, to manufacture embroideries, general apparel, novelties, hosiery and allied goods.

THE SITUATION IN INDONESIA

The outcome of the recent provincial elections has given non-Communist party leaders an opportunity for reflection and—for much needed soul searching. The strengthening of the position of the Communist Party is threatening Indonesia with the danger of Communist domination. The Communists have polled more than seven million votes out of some 21 million votes which were cast during the elections. This means an increase of almost two million votes more than what they have gained during the general elections in Indonesia two years ago. In West Java the Communist Party has moved to the second place, in Central Java it occupies first place and in East Java it has captured second place.

This is enough to send chills down the spines of the non-Communist parties. Especially among the nationalist PNI which has always shown a tolerant attitude toward the activities of the Communist Party the need is felt to make a more realistic appraisal of the situation and already doubts are expressed at the policy of continued cooperation with the Communists.

How real is the Communist threat and will Indonesia go Communist are some of the questions which sprang up in the wake of the provincial elections. In analyzing the causes of the Communist success one thing stands out clearly that the gains made by the Communists have been made possible by the steadily deteriorating economic conditions of the country. The 15 governments which have been in power since 1945 have not been able to bring any improvement in the living conditions of the people. The continuous political conflict between the Moslem Masjumi and the nationalist PNI has caused a crisis at the center which renders impossible the formation of strong governments.

Java with its approximately 50 million people is the most densely populated area in the world. In Central Java 800 people live per square kilometer crammed like sardines in an area which offers them no possibility to earn a living. For the last 10 years there has been a steady trek to the big towns of Solo, Jogjakarta and Semarang in search for a job but even there there are no opportunities for work. Most of the peasants who leave their villages have become squatters, work mostly as laborers but hardly find the security which they seek in their jobs. It is among these people where the Communist Party find their sympathizers and supporters. Things may be somewhat better in East and West Java, but in general the people are living in impoverished condition.

The silent masses who try desperately to make both ends meet feel that they do not receive a square deal from the ruling parties. In their desperation they turn a willing ear to promises which the Communist Party give them. The Communists have made clever use of the general disillusionment by fanning their discontentment. Because they themselves have never been in power since 1948, they are free from any responsibility for the mismanagement and maladministration.

This explains the fact why even in those areas where during the Communist-led rebellion in Madiun the Communists had to bow their heads to the Government troops, the PNI managed to consolidate itself in this area and other areas in this Eastern Java province. As matters stand at present, it is only a matter of time before the Communists establish their hegemony in the whole of Java.

For the time being, the two Moslem parties, the Masjumi and the Nahdatul Ulama still command sufficient support among the people in West and East Java to prevent

the Communists from scoring a majority in the two provinces. However, if the deterioration of the economic condition continues it would be impossible in the long run for these religious parties to maintain their position.

Perhaps alarmed by the Communist success, President Sukarno has found it necessary to tell the people at the moment of Communist triumph that he is not a Communist and will never be a Communist. This statement is quite significant because in terms of popular appeal it is he alone who commands the unquestionable loyalty and the respect of the masses and as such he is the only person who stands in the way of Communist domination.

President Sukarno has stated again and again that Indonesia will never drift to the parliamentary government system of the West; never will it adopt the totalitarian system of the Soviet Union and other people's democracies. Indonesia will maintain its Pantja Sila ideology which is the basis of the Indonesian type of democracy. This is positive language which should eliminate any illusion on the part of the Communists that they would be able to convert the country to communism.

The Communist leaders realize that none of them can stand up against President Sukarno. The President up till today dominates the Indonesian political scene because he even overshadows the Communist leaders and this may be an effective brake against further Communist influence in Java.

* * *

The leader of the Indonesian Communist Party is 34-year-old Sumatra born Dipa Nusantara Aidit whose energetic drive and organizational skill has transformed the party into the second biggest in Indonesia after its defeat in 1948. Unlike the old Communist leaders as Tan Malaka, Semaun and Alimin who received their training in Moscow, Aidit had never been to the Soviet Union until elected to the post of secretary general of the party in 1954. It took Aidit eight years to achieve this meteoric rise in the party's hierarchy which is due to his insight into the people's psychology and his knowledge of the social conditions of the country. From 1945 on when the first attempt was made to revive communism in Indonesia after the close of World War II, he constantly opposed what he considers to be the ineffective policies of the old leaders.

The first attempt to revive Communist activities was made by Tan Ling Djie, a leader of the old Stalinist school, who founded the Socialist Party as a facade behind which he pursues the realization of his ambition. He founded this party with Sutan Sjahrir who thought that the party would be dedicated to the pursuance of socialist ideals.

Two years later Sutan Sjahrir left the party and founded the Indonesian Socialist Party when he discovered that Tan Ling Djie was using the party as a cloak to cover his Communist activities. Aidit has from the beginning opposed this tactic because he was of the opinion that it would serve no purpose for the Communist organization to work under any party label except under the name of the Communist Party.

For two years Aidit did not succeed in bringing about a change in the situation but in 1947 his idea found strong support when Muso who had just returned from Moscow also expressed a similar opinion. In the same year the Indonesian Communist Party was founded and one year later the Communists made an attempt at a coup d'état at Madiun which ended with their defeat. Aidit who at the time was in Jogjakarta remained in hiding to emerge openly

in 1950 when the Indonesian Communist Party was again reestablished.

For three years after that Aidit continuously opposed the tactics and strategy adopted by Secretary General Tan Ling Djie which he considered were not effective in winning the heart of the people for the Communist ideals. For instance he criticized in particular one aspect of Tan Ling Djie's policy which aimed at idolizing the Soviet Union and glorifying Stalin and other Soviet leaders.

During that period Aidit did not succeed in causing a dent on Tan Ling Djie's position, but was able to spread his ideas among the younger prominents in the party. His big chance came one year later when he was elected to the post of secretary general at the age of 31, and he immediately put his men in key positions in the Politbureau with the purpose of strengthening the position of the Communist Party. One year later he changed the party's constitution which discarded the attainment of a people's democracy as the party's aims, replacing it with a new ideal, namely the attainment of Indonesian democracy.

In line with this the Communist Party under Aidit's leadership assumed a nationalist character and at times the Communist Party is even more nationalistic than the PNI. The party is discarding its internationalism and more and more it has become the champion of the nationalist cause by introducing the idea of a popular front and the attainment of national peace.

Aidit who realizes the powerful position of President Sukarno has moved the party closer to him by wholeheartedly supporting every suggestion of the President. That this policy pays off is demonstrated by the fact that President Sukarno stated publicly in his speech introducing the establishment of the National Council several months ago that Indonesia cannot ignore the position of the Communist Party which won six million votes in the general elections.

This statement has considerably boosted the Communist Party's prestige and accounts for a great deal of the success achieved by the Communists during the provincial elections. However, this tactic has caused a dilemma for the party itself because the improved position of the party is mainly due to the magnetic personality of President Sukarno.

In other words the largely ignorant masses who voted for the hammer and sickle during the provincial elections actually did not vote for the Communist Party but for President Sukarno. To a certain extent the promises given to improve the living conditions of the people have helped the Communist Party to increase its support among the people, but the fact that the Communist Party has succeeded in identifying itself with the figure of President Sukarno has been of decisive influence.

In the light of the Communist victory in the provincial elections the actual influence of the Communist Party has therefore become highly problematical. Should the President publicly disavow the Communist Party it is very likely that the Communist Party will immediately be stripped of its large following. This has not happened so far, but considering the aroused fear against the danger of Communist domination it may be safely predicted that the Communists will find the going increasingly tough from now on.

In his position of constitutional president who stands above the parties the President cannot be expected to turn his wrath against the Communist Party except when they are guilty of activities aimed openly at overthrowing the state as they did in 1948. The President can only hope that the Communist gains in the provincial elections will serve as an eye-opener to the non-Communist parties to work on a competitive basis against the Communists in winning the sympathy of the people.

THE MANUFACTURE OF TIN CANS IN HONGKONG*

By Flora Ma Suk Hing

Tin can production is one of the comparatively "old" light industries in Hongkong as its history can be traced back to 1915. The manufacturing of tin cans developed in response to local demand for various containers, especially for preserved food, biscuits, confectioneries, tea and chemical products, such as petroleum, paints, varnishes, shoe polish, pharmaceuticals, talcum powder, medicines, etc. In 1928 colour tin-printing was introduced so that some factories became engaged in the production of tin-lithographs. Recently, the manufacturing of mechanical toys was added as one of the branches of this industry.

From 1932, as a result of the Imperial Preferences system, the production of tin cans for export developed. The progress was so good that during the years immediately before the outbreak of World War II, some factories had to work even at night in order to meet the demand. Towards the end of 1941 the monthly output was estimated at HK\$600,000, i.e. over HK\$7 million per annum. This flourishing industry suffered heavily under the Japanese occupation as all the factories had to close down due to the

shortage of raw materials and military operations inflicted heavy losses in equipment.

After the war, the emergence of a wide range of industries demanding cans stimulated the growth of the tin-can manufacture once again. Consequently, the number of factories and employment increased greatly, which is illustrated by the following table:

Tin Can Manufacturing Establishments and Employment, 1947-1956

Year	No. of registered factories and workshops	Employment				Total
		Male Workers		Female Workers		
		Number	% of the total	Number	% of the total	
1947	8	166	56	129	44	295
1948	12	281	59	195	41	476
1949	14	334	57	250	43	584
1950	15	441	57	333	43	774
1951	19	518	58	379	42	897
1952	24	531	65	330	35	861
1953	24	545	57	406	43	951
1954	26	577	59	408	41	985
1955	27	577	58	412	42	989
1956	34	683	54	574	46	1,257

Source: Annual Departmental Reports of the Commissioner of Labour.

* Sources: Articles in the Far Eastern Economic Review of 8th October 1947, 7th December 1950 and 21st February 1952; Hongkong Government Department Reports and interviews.

Editor's Note: This article was written by a student of the University of Hongkong under the supervision of Mr. E. F. Szczepanik, Senior Lecturer in Economics.

Like many other industries of the Colony, the tin can manufacture is concentrated chiefly in North Point,

Shaukiwan and West Point. Some of the factories occupy quite a large area but smaller firms are often located in a flat. All firms are privately owned and they usually either belong to a single proprietor or to a partnership. Some of them, however, are organised as companies. Employment in these firms varies from just a few workers to several hundreds. The following table shows a sample of employment in this industry:

Number of Workers in Some Tin-Can Factories in 1956

Name of the Factory	Number of Workers		
	Male	Female	Total
China Can Co. (HK) Ltd.	146	181	327
Yu Ying Can Mfg. Co.	98	120	218
China Can Manufactory	5	51	56
Hongkong Can Co.	18	25	43
Sun Cheong Wo Can Factory	27	13	40
Hop Chung Co.	21	18	39
Wang On Metal Ware Factory	10	4	14

Source: Information obtained from Labour Department.

Some of the workers are permanently employed but temporary workers are also often engaged. The workers are usually paid daily but piece-rates are used as well. In some of the largest factories, the wages for men range from \$2 to \$16 a day, whereas daily earnings of women fluctuate between \$1.50 and \$2.20. Women are usually remunerated by piece-rate method. There is no special trade union operating in this industry. Workers usually join the metalware trade unions, such as Hongkong & Kowloon Metal Industry Workers General Union, Hongkong & Kowloon Copperware Union or Hongkong & Kowloon Coppersmiths General Union.

The degree of mechanization is not uniform. Most of the machines are out-of-date but in the larger firms, they are relatively modern. As a rule, a cutting machine is available for cutting the tin plates to the required size, and then the small sheets are put into some kind of can-making machine. The work of soldering for air tight cans is partly done by hand and partly by machine. At present there is only one set of entirely automatic modern machinery in the Colony, viz. in the Yu Ying Can Mfg. Co. It comprises all processes of can making, i.e. from the moment when a tin sheet is put until the time when the finished can comes out automatically. As nowadays production is not going on at full rate all the time, this equipment is seldom in operation. The available machines are thus sufficient to cope with the present requirements. In addition to the tin making machines, printing apparatus is used in some of the factories. The pattern is first photographed and the next step, separation of colours, is a delicate process in which care and attention is required. The design is firstly printed on zinc plates as a sample. In the actual printing process, large pieces of tin plates of standard size, or whatever sizes are required, are put into the machine. The plates then go through a number of processes including printing of different colours and drying up. After printing, the full size sheets are cut into small pieces ready for making cans.

Of all the raw materials, tin plates are the most important in the manufacturing of tin cans. Tin plates are just thin steel sheets coated with tin. All the tin plates in Hongkong are imported and the percentage of tin content in the coating varies according to the countries of supply. In recent years, the plates most widely employed were Terne Plate, Taggers, and Tinplate Wasters, Primes and Un-assorted.

Terne Plate is coated with an alloy of tin and lead instead of pure tin. The amount of tin content in the coating is 14% to 22%. These plates are unsuitable for the manufacturing of tin containers for food canning due

to the content of lead. In the manufacturing of cans for food only Prime Coke Tin-plates are used. Taggers are thin plates serving as the inside tops of biscuit and cigarette containers. They are lighter than other kinds of tin plates.

All the tin plates are packed in "base box" when they are shipped from the countries of supply. The British "base box" contains 112 sheets weighing 200 lbs. The standard size is 20" x 28" per sheet, costing now HK\$140 per base box. An American "base box" usually weighs 107 lbs. and contains 112 sheets of 14" x 20" in size, while the American tin-plate wasters are sent in "skids" of 2,000 lbs. The tin plates, however, can be of any size according to order.

Immediately after the war, the United Kingdom was the chief supplier of tin plates to the Colony. In 1947, when plentiful supplies of American tin plates became obtainable, local factories began to use American tin plates, taking advantage of lower prices. But in 1950, with the outbreak of the Korean War, American tin plates could no longer compete with those of U.K. origin as their price increased because of the reductions of supply. Hongkong factories thus again turned to British tin plates. Even the waste wasters sheets are now supplied by Britain and Canada instead of United States.

In the pre-war period, local cans found markets in Malaya, India, Burma, Siam, Indochina, Indonesia and China. During the two years after the war, the market in Malaya was regained but only small quantity was exported to other Far Eastern countries. The export to China was impossible because the custom duty was exorbitant. Most of the local cans now go to South East Asia and East Africa. Competition in world markets is not great. England, Italy, Belgium and Japan are the main rivals.

The following table shows the value of Hongkong's imports and exports of the main kinds of tinplates in recent years:

Hongkong Imports and Exports of Main Tinplates,

Year	1953-1956		
	H.K. \$ million		
	Imports	Exports	Retained Imports
1953	10.1	0.1	10.0
1954	7.6	1.2	6.4
1955	10.3	1.2	9.1
1956	8.4	1.0	7.4

Source: Hongkong Trade Statistics, 1953-1956.

In 1956 the main sources of supply of various tinplates were the United Kingdom (46% of the total), the U.S.A. (38%) and Canada (16%). The main countries to which tinplates were re-exported were China, excluding Formosa, (26%), Burma (23%), Malaya (22%) and South Korea (7%).

Unfortunately, production and trade statistics concerning the tin cans are not available, but the following indirect method can be used to estimate the value of output of tin cans. As indicated in the above table, in 1956 the value of basic raw materials for making tin cans was approximately HK\$7.4 million. Assuming that the total wage-bill of this industry was about HK\$1.8 million and that other materials and profits amounted to HK\$1.8 million, then the total value of output would amount to approximately HK\$11.0 million.

According to Hongkong Trade Statistics, in 1956 the import of metal containers for transport and storage, which mainly included unused tin cans, was HK\$2.4 million and the export was HK\$4.02 million. The value of export of local tin cans was, therefore, probably between \$2 and \$4 million. If so, local consumption of tin cans manufactured in Hongkong may amount to HK\$7-9 million a year.

HONGKONG COMPANY MEETINGS

WHEELOCK MARDEN & CO.

At the annual meeting held here on October 22, Mr. John Marden deputising for the Chairman, Mr. G. E. Marden, who was away from the Colony, reported that the company's profit for the year was \$6,929,578 against \$7,809,481 last year. A 37½-cent final dividend per share, proposed by Mr. Marden and seconded by Mr. C. Blaker, was approved.

The Chairman's statement reads: I am able for the first time to append this statement to consolidated accounts covering the major portion of our activities—activities which are financed and directed from the Colony but which cover a wider field including the United Kingdom, Japan, the Far East, Europe and the U.S.A.

Whilst shipowners continued to enjoy very favourable conditions, the restoration of equilibrium to sea trading routes and practices effected by the reopening of the Suez Canal set off a disastrous chain reaction in freights and tonnage values. These are now at levels so low that no one would have dared to forecast them six months ago. Even the really modern and efficient tramp vessels can earn barely enough to cover depreciation at these levels and their continuance would undoubtedly force many operators to lay up their ships. However, owners generally have profited from operations over the past two years and are in a strong enough position financially to weather the storm unless it lasts longer than such disturbances had lasted in the past. We who have much to do with ships and shipping are accustomed to these violent ups and downs of supply and demand; their possible effects are never excluded from our calculations. A factor in the situation affecting the industry generally is the remunerative employment which a large number of vessels has arranged for varying periods ahead, and it is largely the prospect that conditions may remain depressed which causes disquiet. There would seem to be little softening of liner freights and some experienced tramp operators profess to see hopeful signs.

The Company's shipping interests include 6 vessels under Japanese flag with a total deadweight of 53,000 tons and 33,000 tons gross; 25 vessels under Panamanian flag, 140,000 tons and 93,000 tons; 6 vessels under British flag, 36,000 tons and 23,000 tons. All the Panamanian and British vessels except one are registered in companies under our control. As far as the ages are concerned the oldest is a British flag vessel built in 1914 and the newest is a new building of 12,500 tons.

Whilst the credit restrictions enforced in the United Kingdom might have been expected to limit what we are inclined to consider our legitimate minimum requirements, we who enjoy so many of the benefits of membership of the sterling area must expect to shoulder some of the responsibilities. We are thankful that local circumstances have enabled our bankers to diminish the full effect of the new measures. Hongkong's industries continue their expansion and the products of our manufacture, together with the services of our merchants, continue in worldwide demand. The liberalising of trade with the mainland has had but little immediate effect on the Colony's economy and we await events in this connection with some caution.

During the year the s.s. Hydralock was a casualty on the China coast, fortunately without any loss of life. This vessel was the last of our own fleet and the figure consequently disappears from this year's Balance Sheet.

Our Insurance group under the direction of Mr. B. D. Cooke of Messrs. B. D. Cooke and Partners Ltd., has consolidated the expansion made last year and the Dominion Insurance Co. Ltd. has increased its dividend to 10 per cent. Negotiations are continuing with a view to widening Dominion's activities and seem likely to be completed satisfactorily. Our Insurance Department in Hongkong, Wheelock Marden and Stewart Ltd., provides complete service,

both to our shipping clients and to a broad cross section of the group interests as well as to the general public.

Eastern Asia Navigation Co., whose accounts are this year consolidated with the Group, has maintained its dividend of 10 cents and is now in a comparatively liquid position. Although the fall in freights has caused its Board to defer the acquisition of shipping property, active consideration is being given to re-entering ownership in conjunction with the parent company and suitable propositions are being scrutinised. Despite cuts in the defence programme Whites Shipyard (Southampton) has had another successful year, and plans for a broadening of its sphere of activity are proceeding satisfactorily.

Shewan Tomes and Co., our wholly-owned trading subsidiary, made considerable progress, although the branch in Singapore, in common with many other firms there, had to curtail its activities through the extended credit demanded in that area. If certain preliminary plans develop, it is intended to reorganise our interests in Singapore with a view to reducing the cost of trading there. We have recently acquired an interest in a London merchanting company, namely, Messrs. Hecht, Lewis and Kahn Ltd., and I have been invited to a seat on the Board. Our strong link with Messrs. John D. Hutchison and Co. and their group of companies continues.

Cornes and Co. had another successful year in Japan, but their subsidiary, Cornes Marden and Co., Ltd., which operates from London, met with credit difficulties in respect to business in East Africa. We have formed an association with Austrian interests, under the management of Mr. G. H. Luzzatto, who are seeking to establish trading connections both here and in South Korea as well as on the European continent. With the complete removal of restrictions on certain of its activities, Commercial Investment Co. (bullion and exchange brokers) had a more successful year even than last. Far East Flying Training School are having difficulties over terms for land on the new Airport and it may be that if the negotiations with the Government are unsuccessful, this firm will no longer fill the position it has always occupied. The Realty group gave a most satisfactory report to their shareholders last month, whilst our Textile associates also continue to expand and prosper.

DOUGLAS STEAMSHIP CO.

A dividend of HK\$40 per share was declared at the annual meeting held here on October 12. Chairman J. R. Mullion stated: The Company's vessels, the oil burning steamer "Inchearn" and the motorship "Inchdouglas," continued to provide good earnings despite the fact that the "Inchearn" was out of employment for 55 days undergoing her special survey. The satisfactory results are due primarily to our policy of arranging employment for our vessels well ahead. We have not therefore been adversely affected by the recent steep decline in freight rates and were particularly fortunate in fixing our 'Inchdouglas' for long forward employment when the market was at its height.

Although the long term view for shipping is reasonably sound most shipowners will view with some apprehension the present position of the freight markets. During the Suez crisis there was a sudden stockpiling of the basic commodities—coal, grain and ore. However, with the crisis over, merchants found themselves overstocked and a mild winter in Europe arrested any seasonal improvement in coal demand; consequently freight rates declined. Another contributory factor was the good European harvests and a lack of large scale grain enquiry. The extent of the decline in freights is best explained by the state of the Trans-Atlantic coal trades, now universally accepted as the barometer of world freight market. At the height of the Suez crisis the voyage rate was 120s but it has dropped since to 30s.

HONGKONG'S PRINCIPAL EXPORTS IN 1956

PART II

Item, Unit and Country to which Exported			Item, Unit and Country to which Exported		
Total for 1956 to date			Total for 1956 to date		
Quantity Value HK\$			Quantity Value HK\$		
Tea, other than China Lb.			British Comm., other		
United Kingdom	134,758	310,281	Central America	198	7,764
Australia	29,722	35,666	Japan	2	210
Malaya	50	250	Macao	91,164	3,139,976
African Countries, other	14,466	15,210	Philippines	2,019	74,490
South American Countries, other	6,070	25,700	Denmark	212	8,760
Burma	2,505	14,313	France	9	525
China	22	102	Germany (Western)	2	100
Cambodia, Laos & Vietnam	50	419	Netherlands	9,840	215,200
Japan	2,086	7,900	Linseed (flaxseed)	20,041	430,900
Korea, South	180	810	Linseed (flaxseed) Cwt.		
Macao	28,075	72,970	Malaya	54,372	2,627,242
Thailand	27,695	80,904	Japan	10	540
United States Oceania	7,800	35,650	Central Asian Countries	54,299	2,622,872
Netherlands	100	537	Cottonseed Cwt.		
Groundnuts (peanuts), in shell Cwt.			Japan	69,918	1,656,136
United Kingdom	13,025	1,001,789	Castorseed Cwt.		
Australia	98	6,700	Japan	83,856	3,678,400
Canada	178	14,657	Sesamumseed Cwt.		
Ceylon	495	61,794	United Kingdom	222,621	12,720,112
Malaya	2	225	Australia	1	95
New Zealand	2,494	178,382	Canada	227	22,069
North Borneo	97	9,546	India	2,892	243,608
South Africa	60	5,421	Malaya	1	130
British West Indies	3	429	New Zealand	184	15,942
British Oceania	3	225	North Borneo	7	981
Central America	43	5,230	British West Indies	306	26,648
Macao	50	8,326	British Oceania	2	213
Central Asian Countries	1,922	116,981	British Comm., other	2	136
Germany (Western)	100	4,074	Central America	7	529
Netherlands	1,000	97,384	South American Countries, other	2	179
Norway	6,180	466,062	Indonesia	447	28,290
Groundnuts (peanuts), shelled Cwt.			Japan	3	300
Australia	89,592	6,761,369	Korea, South	209,924	11,854,692
Canada	14	939	Macao	600	30,200
Malaya	33,934	2,304,481	Philippines	163	11,152
New Zealand	9,688	682,212	Oceania, n.e.s.	3,864	262,825
North Borneo	1,607	110,654	Denmark	3	233
South Africa	94	10,177	Netherlands	2,000	111,010
British West Indies	3	360	Cork, raw, and waste cork .. Lb.		
British Oceania	1	128	Australia	1,346,217	1,784,040
British Comm., other	2	108	New Zealand	2,240	624
African Countries, other	3	320	China	616	950
Central America	890	69,882	Formosa	1,304,480	1,745,051
Japan	222	23,081	Cambodia, Laos & Vietnam	30,576	27,443
Macao	40,866	3,399,917	Macao	5,511	6,030
Soya beans Cwt.			Thailand	604	794
United Kingdom	175,194	5,766,262	Unreelable cocoons and cocoon wastes, frisons, silk thread waste and silk noils Lb.		
Australia	9	439	United Kingdom	1,037,841	3,534,533
India	844	36,895	Formosa	41,270	228,880
Malaya	20	940	Japan	8,000	29,000
New Zealand	47,263	1,719,160	France	680,172	2,058,510
North Borneo	109	4,772	Italy	78,202	236,013
British West Indies	3,449	125,511	Switzerland	216,973	900,258
British Oceania	10	462	(To be Continued)		
	3	158			

FINANCE & COMMERCE

HK EXCHANGE MARKETS

U.S.\$				
Nov.	T.T. High	T.T. Low	Notes High	Notes Low
4	\$586½	585	585½	583½
5	585½	584½	583½	582
6	584½	583½	583½	581½
7	583	582	581½	579½
8	583	582	581½	580
9	584	583½	582½	581½

D.D. rates: High 585 Low 580¼.

Trading totals: T.T. US\$3,280,000; Notes cash \$460,000, forward \$2,830,000; D.D. \$420,000. Market was easy on the strength of cross rate in New York; Pound Sterling recovered considerably during the week. In the T.T. sector, offers from Japan, Korea, and the Philippines, were absorbed by general and gold importers. In the Notes market, speculators were idle. Interest for change over favoured sellers and aggregated HK\$10.90 per US\$1,000. Positions taken by speculators averaged US\$2 million per day. In the D.D. sector, market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.785—1.77. Japan 0.01375—0.013675, Malaya 1.873, South Vietnam 0.06944—0.06869, Laos 0.07, Cambodia 0.075, Thailand 0.2793—0.2754, Indonesia 0.14—0.1388. Sales: Pesos 320,000, Yen 85 million, Malayan \$310,000, Piastre 7 million, Kip 4 million, Rial 4 million, Baht 3 million, and Rupiah 2 million. **Chinese Exchange:** People's Yuan notes quoted \$1.57—1.33 per Yuan. Taiwan Dollar notes quoted \$0.165—0.164 per Dollar, and remittances 0.148—0.145.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.67—15.56, Scotland 14.00, Ireland 13.80, Australia 12.45—12.38, New Zealand 14.10, Egypt 9.50, East Africa 14.50, South Africa 15.45—15.38, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.40, India 1.1735—1.173, Pakistan 0.78, Ceylon 0.965—0.95, Burma 0.52, Malaya 1.84—1.828, Canada 6.03—5.89, Cuba 5.00, Argentina 0.125, Brazil 0.065, Philippines 1.81—1.775, Switzerland 1.36—1.34, West Germany 1.36—1.35, Italy 0.009, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.0124—0.01225, South Vietnam 0.072—0.0715, Laos 0.074—0.069, Cambodia 0.076—0.0745, North Borneo 1.60, Indonesia 0.141—0.134, Thailand 0.283—0.28, Macau 1.00—0.995, Japan 0.0141—0.01385.

Gold Market

Nov.	High .945	Low .945	Macau .99
4	\$257¼	256¼	267 High
5	256¾	255½	
6	256¼	254¾	
7	254½	253¾	Low 263¾
8	255½	254½	
9	255½	255	

Opening and closing prices were 257¼ and 255½; highest and lowest, 257¼ and 253¾. The market was easy with prices dipping in sympathy with US\$ rates. Interest favoured sellers and aggregated \$5.20 per 10 tael of .945 fine. Tradings averaged 6,050 taels per day and totalled 36,300 taels for the week, in which 12,650 taels were cash dealings (1,350 taels listed and 10,800 taels arranged). Speculative positions averaged 14,200 taels per day. Imports from Macau

totalled 12,000 taels; a shipment of 48,000 fine ounces reached Macau last week. Exports amounted to 9,000 taels (4,500 taels to Singapore, 2,500 taels to Indonesia, and 2,000 taels to India). Differences paid for local and Macau .99 fine were \$12.50—12.30 and 11.70—11.40 respectively per tael of .945 fine. Cross rates were US\$37.85—37.84 per fine ounce; 11,200 fine ounces contracted at 37.85 cif Macau. US double eagle old and new coins quoted at \$261—260 and 225—224 respectively per coin, English Sovereigns \$61 per coin, and Mexican gold coins \$276—275 per coin. **Silver Market:** 800 taels of bar silver traded at \$5.97 per tael and 1,000 dollar coins at \$3.75 per coin. Twenty-cent silver coins quoted \$2.90 per five coins.

HK SHARE MARKET

The decline in New York stock exchange last week induced another wave of uncertainty in the local market wiping out whatever slight gains accomplished during the previous week. Turnovers averaged only \$360,000 a day (Monday \$394,000, Tuesday \$361,000, Wednesday \$416,000, Thursday \$430,000, Friday \$207,000). With the exception of Textiles which edged up 10%, most shares dipped, some down to 1957 new lows.

Telephones registered a sharp drop of \$1.60 during the week. This share reacted unfavourably to the agreement in London between Oriental Telephone Company and Henry Ansbacher & Company concerning HK Telephone Company shares. Details of the agreement were not announced but according to unconfirmed reports, HK Tele-

phones in London were worth around HK\$22 last week as a result of this agreement; the closing price here was \$25.60. If London stockholders do not wish to hold this HK share, prices will further dip in the local market.

HK Banks and Unions continued weak in sympathy with London market; new lows were reached during the week but HK Banks recovered slightly towards week-end. Wheelocks and Dairy Farms retained strong demand during the week but buyers insisted on lower prices. Cements lost fifty more cents but the dip was levelling off; low price at present is attracting more buyers. Other counters were quiet.

Dividend—China Light and Power Co. announced a final dividend of 80 cents per share for the year ended September 1957 in respect of the fully-paid shares. No dividend on 1957-issued shares.

Share	Nov. 1	Last Week's Rate			Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing			
HK Bank	832.50	870	820	830	—\$2.50	\$50	6.02
Union Ins.	77	76	75	75	—\$2	\$2.40	4.53
Lombard	32.75 b	33	32.75 b	33	steady	\$2	6.06
Wheelock	6.90	6.90	6.70	6.75	—15c	75c	11.11
HK Wharf	118 n	—	—	118 n	quiet	\$5	5.01
HK Dock	52.50	52.50 s	51.50 s	51.50 s	—\$1	\$2	3.33
Provident	11.80	11.80	11.70	11.70 s	—10c	\$1	8.55
HK Land	33.75	33.50	33.25	33.50 s	—25c	\$3.50	10.15
Realty	1.40 s	1.375	1.32½ b	1.325 b	—7½c	15c	11.32
Hotel	14.70	14.60	14.20 b	14.40 s	—30c	\$1	6.94
Trams	22.90	23	22.50 b	22.50 b	—40c	\$1.70	7.58
Star Ferry	129 s	129 n	127	128 s	—\$1	\$7	7.03
Yaumati	95	95	94.50 n	94.50 n	—5½c	\$7.30	7.91
Light	18.50	18.50	18.10	18.20	—30c	\$1.10	6.04
Electric	27.60	27.50	26.80	26.50	—8½c	\$1.80	6.72
Telephone	27.20	27	25.60	25.80	—\$1.60	\$1.50	5.88
Cement	23.60	23.50	23.10	23.10	—30c	\$4	17.32
Dairy Farm	16.30	16.30	16	16	—30c	\$1.63	10.19
Watson	13.10	13.10	12.70	12.70	—10c	\$1	7.87
Yangtze	5.45 n	5.50 s	5.25 b	5.25 b	—30c	65c	12.18
Allied Inv.	4 n	4 s	3.80 b	3.60	—20c	25c	6.58
HK & FE Inv.	9.90 n	—	—	9.90 n	quiet	80c	8.08
Amal. Rubber	1.50	1.50	1.45 b	XD 1.35	steady	28c	20.74
Textile	4.35 b	4.475	4.375	4.45	+10c	50c	11.24
Nanyang	9.55 s	—	—	9.55 s	steady	\$1	10.47

**HONGKONG STOCK EXCHANGE
IN OCTOBER**

Light scale trading which ruled for the greater part of the previous month continued during October and resulted in the lowest monthly turnover to date for 1957. With buyers holding off, lower rates were recorded for most stocks. Various reasons have been advanced for the lack of interest in local shares, the generally accepted are that spare funds have been diverted to land purchases and rebuilding schemes. Another contributory factor was the recession in the New York Market.

Banks and Insurances: Hongkong Bank and Union shares followed those in London, down during the month. A few Lombards changed hands at below \$33. **Investment Companies:** A moderate demand set in for Yangtze and Hongkong Far Eastern shares with little variation in rates. The reduced Yangtze dividend disappointed holders of these shares. **Shipping:** Wheellocks were again favourites at lower levels, trading was on a light scale. **Docks & Wharves:** Demand for Hongkong Dock and China Provident shares was not maintained, prices practically unchanged. Certificates for partly paid China Provident are now being issued, and the new shares will be fully paid by 31.12.57. **Lands & Hotels:** More interest was evinced in Hongkong Hotel and Hongkong Land shares at lower levels; Realty came to business at fractionally lower prices. **Public Utilities.** A falling off in the demand for shares in this group resulted in light scale trading and lowering of price levels with a slight rally in the closing days of the month. **Industrials:** Trading was negligible with Cements showing an appreciable drop in rates. A steady demand for Amoy Canning shares at slightly higher rates was reported. **Stores:** There was greater demand for Dairy Farm, A. S. Watson and Lane Crawford shares. Rates were maintained and in some cases, marked up. **Miscellaneous:** Business was negligible. **Cottons:** Textile Corporation shares were popular at lower levels. **Rubbers:** More activity was shown in Rubber Trusts, Shanghai Kelantans and Sungalas. Quotations were influenced by the price of raw rubber.

Dividend announcements were made by Union Insurance Society, Yangtze Finance and Amalgamated Rubber.

Business during October: \$9,647,522. Business in 1956: \$211,002,275. Business during January/October 1957: \$131,984,804. Business in October 1956: \$17,227,662.

BUSINESS DURING THE MONTH

	Qty. of Shares
H.K. Govt. Loan	
3½% (1934 & 1940)	32,000
3½% (1948)	442,000
H.K. Bank	637
Bank of East Asia	40
Lombard Insurance	1,328
Union Insurance	680
Allied Investor	500
Yangtze	2,983
H.K. & Far East Inv.	1,350

	Qty. of Shares
Asia Navigation	4,500
Wheelock Marden	63,199
C. Provident	18,637
H.K. Dock	15,506
Shanghai Dock	1,000
H.K. Mine	4,000
H.K. & S. Hotels	32,000
H.K. Land	39,321
Shanghai Land	6,000
Humphreys	2,488
Realty	37,750
H.K. Tram	24,475
Yaumati Ferry	2,597
China Light	49,455
H.K. Electric	26,543
Macao Electric	300
Telephone	43,115
Cement	6,775
Rope	25
Amoy Canning	100
Dairy Farm	31,096
Watson	28,024
Lane Crawford	8,981
Sincere	1,121
China Emporium	413
China Entertainment	800
Construction	1,000
Textile	44,900
Nanyang Mill	5,000

Rubber

Amalgamated Rubber	232,037
Ayer Tawah	15,750
Java-Consolidated	6,554
Langkat	1,100
Rubber Trust	37,373
Shai Kelantan	32,500
Sungala	15,316

SINGAPORE SHARES

Falling Rubber and Metal prices as well as dismal world markets caused a spate of selling in all sections during the week ended Nov. 4th. Industrials and Tins provided the main portion of the business. Towards the close the Rubber price made some recovery, share selling pressure waned and selective buying support was evident.

McAlisters with business at \$1.59 showed a 21 cents fall, Straits Traders at \$1.98 were down nearly 20 cents and Robinsons at \$1.75 were down 12½ cents. Straits Steamship remained steady at \$16½, Malayan Collieries at \$1.04 cum 12½% and Hume Prefs at A23/3. Union Insurance of Canton had business at \$40, nearly 17% below the price prevailing last September. Metal Box rights were an active market around 57½ cents. At the lower levels, towards the close, there was buying interest in Fraser & Neave at \$2.45, in Gammons at \$2.25, in Hammers at \$2.12½ and in United Engineers at \$1.22.

Petaling closed sellers at \$2.95. Rantau had a substantial turnover around \$2 but closed sellers at \$1.98. Sungei Way steadied at \$1.37½ and Hong Fatt at 85 cents. Aokam Tin had sellers at \$1.30, a price at which business passed in January 1955, and at that time there was no possibility of any production for about eighteen months. Berjantai were on offer at 15/6, Austral Amalgamated met demand at 13/1½, Kuala Kampar at 39/- and Lower Perak at 16/3. With the exception of Meru Tin, which continued active but lost 6d. in a week, turnover in London Registered Tins was small. Kamunting came up to

expectations with a dividend increase; a 37% final to make a total of 47% for the year ended 31st March, 1957.

Local Rubbers again had a quiet week. Only Allenby at \$1.90, Conemara around \$1.25 and Kundong Rubber at \$3 were active. The Kempas final dividend of 10% to make 20% for the year ended 30th June, 1957, disappointed and business was done at \$1.67½. There was a fair turnover in London registered rubbers, London accepted Bukit Mertajam, Clovelly, Kuala Pilah and Siginting. Ledang Bahrue were in demand at 3/- cum the 25% final which will make 30% for the year ended 31st July, 1957.

There was little local loan business, but there was more investment in Government stocks on the London market. According to the local press, applications for the Singapore City Council's remaining \$13,000,000 of the 5% 1966/76 loan, at a discount of 10%, have been disappointing and only about half the amount subscribed.

**TRADE DEVELOPMENTS
IN OCTOBER**
CHINA TRADE

China/UK Trade—During his 4-week visit to Peking, Mr. E. J. Erroll (Parliamentary Secretary to the British Board of Trade) signed no contracts with Communist officials but got an assurance from Prime Minister Chou En-lai that China is interested in increasing trade with UK. Mr. Erroll also believes that prospects are good for a steady improvement year by year as China becomes better informed about British products. In this respect, he hopes that HK merchants would urge their agents in China to visit the factories and explain the quality of British products on behalf of British exporters. On the question of payments, Mr. Erroll said it was a question of how much the Chinese were prepared to deny themselves. He was told that people in Shanghai are given rice for 25 days and potatoes for 5 days; the Chinese authorities could increase rice exports by making it potatoes for seven or more days.

Meanwhile in Britain, the newly created Sino-British Trade Council arranged for the Peking Mission to visit various industrial centres including the world's first full-scale commercial atomic power station—Calder Hall. The attitude of Chinese visitors was rather arrogant; the leader of the Mission said, on arrival in London, "We bought the goods we needed elsewhere . . . China was not affected by the embargo. . . . We want to see the industrial developments in this country and your scientific and technical achievements. . . . We want to see trade with UK normalized;" then comes the political twist, "but there are still many items which China is unable to buy from Britain because of the strategic list." The mission

also indicated that China is rapidly becoming self-sufficient in conventional plant and equipment and that future requirements will be very much in the advanced fields of technology. The Chinese are particularly interested in textile mills and machine plants. Other points of interest are in iron and steel plants, shipbuilding, electrical engineering, motor industry, agricultural machinery, chemicals, precision instruments and heavy machinery.

Since the embargo on trade with China was eased last May, some British firms have sold trucks, wool, chemicals, machine tools, drilling equipment, roller bearings and tractors to China in small quantities. UK-China trade in 1956 totalled about £23 million. After the ban was eased, the British Council for the Promotion of International Trade calculated that this could be increased four-fold!

China/Europe Trade—According to members of a French mission who returned here recently from China, a severe competition is now taking place among Japan, Britain, Germany and France in selling various supplies and equipment to China. The main problem for France is her prices; French trade with China is expected to fall under 4 thousand million francs (for French imports) and 2.5 thousand million (French exports) in 1957 against 4.6 and 7.2 in 1956.

More details of an agreement signed between West Germany and China in September were announced by the German delegation on returning to Europe. The agreement provides for an exchange of 230 million marks of goods in each direction. Germany will import cereals, oilseed, vegetable oils, foodstuffs, hides, bristles, minerals, tea, silk and raw materials for the chemical industry from China and in return will export iron, steel, industrial equipment, machines, automobiles, fine chemicals, optical goods, electrical apparatus, dyes, textiles, synthetic fibres and paper. Over the past 3 years, the value of German exports to China had exceeded that of imports from China. In 1956, German exports were 223 million marks and imports 156 million marks.

Under a trade agreement between Sweden and China initiated in Peking on September 30 (signed in Stockholm Nov. 8) Chinese exports will include hides, skins, oil seeds, oils, fats, soices, chemicals, textiles, fibres and minerals vs. Swedish exports of foodstuffs, wood products, machinery and industrial equipment, iron and steel, chemicals, instruments and electrical equipment; figures were not released.

Contracts signed between Chinese officials and businessmen from UK, France, Belgium and West Germany since last May cover deliveries of precision instruments, stainless steel tubes, seamless steel tubing, chrome steel, motor car and tractor spare parts before the end of the year.

China/Canada Trade—Towards end of October, Canadian Trade Commissioner in HK was preparing to visit

Peking to promote trade between China and Canada. The Trade Commissioner said that the mission would not be on a government-to-government level but purely for the benefit of private businessmen of Canada. According to unconfirmed reports from Peking, China is considering to buy a large quantity of wheat from Canada because crop this year is very much below the target on account of drought in North China. Last year, China exported Can\$6 million worth of walnuts, peanuts and other staples to Canada but in return imported only Can\$2.4 million worth of Canadian goods, chiefly fertilizers.

China/SE Asia Trade—Towards end of the month a Chinese freighter left Canton for Haiphong via HK inaugurating China's first overseas shipping service. This is another big step forward in China's efforts to capture the SE Asian market. Peking is making successful inroads into SE Asia by unifying its trade organs, maintaining low prices and extending loans to overseas Chinese merchants. To Indonesia, China is sending more and more foodstuffs, leaf tobacco, sheet glass, bar steel, iron nails, sewing machines, rice, textiles and fountain pens. The Chinese Embassy in Djakarta acts also as a trade agency. To Malaya, China ships large quantities of foodstuffs and light industrial products but buys very little in return. Consequently, Malaya is second only to HK in supplying foreign currency to Peking. China's exports to Burma in 1956 showed a four-fold increase over 1954 with cotton cloth a major item. In Phnompenh, China has stationed a mission, through an economic assistance agreement, channelling cement, textiles, raw silk, iron and steel into Cambodia. China is also sending more raw silk and paper to India providing keen competition for Japan. The renewed rice/rubber agreement between China and Ceylon will enable Peking to ship more light industrial products to Colombo.

China/Japan Trade—After 40 days of negotiations in Peking, the Japanese trade delegation returned to Tokyo without concluding a fourth private trade agreement with China. The talk broke down because Peking had insisted on stationing a trade delegation of 30 persons in Japan while Tokyo would only accept five. With the exception of this problem, other points such as payments through the Bank of Tokyo or the People's Bank of China and the question of foreign exchange have been settled. China also offered to sell 450,000 tons of Kailan coal to Japan against the purchase of 110,000 tons of steel products.

Meanwhile, individual Japanese merchants concluded more business with Peking officials. One firm signed a £1 million contract with Chinese Government covering exports of galvanized iron sheets and light machinery in exchange for Chinese minerals, raw materials such as magnesium chloride, soya beans, skins and hides. Another company sold 50 tons of vinyl chloride

resin to China at a price slightly lower than domestic quotation of US\$361 per ton. China has also agreed to buy Japanese three-wheel trucks; negotiations are still continuing.

China's Trade with USSR and Others—Over Radio Peking, the Minister of Foreign Trade announced that China's trade with Russia this year would amount to 50% of the country's total foreign trade. To Egypt, China offered to supply 1,000 tons of mutton a month against payments in Egyptian pounds. Peking officials and Moroccan delegates agreed to exchange Chinese tea, cotton piecegoods, machinery and silk fabrics for Moroccan frozen meat, chemicals, certain types of oil, cotton, wheat and canned goods. China also signed an agreement on goods exchange and payment with Bulgaria for the period 1958/60.

Canton Exports Exhibition—Canton boasted at end of the month that sales amounting to about £8 million were transacted since the Fair opened on October 15. Industrial goods and minerals amounted to 45.7% of the total sales. Electronic tubes, semiconductor generators and new brands of radio sets were sold to Singapore, Cambodia, Egypt, Jordan and other countries. Jordan also bought 3 Chinese "Liberation" trucks. According to local dealers who returned here from Canton pearls, diamonds and other precious stones were also on sale at the Exhibition.

HK'S IMPORTS & EXPORTS

Neither the increase in bank rates here nor the cold war in the Middle East had any adverse effect on Hong-kong's entrepot trade during October. In fact, imports totalling \$428.3 million were \$29.5 m better than the previous month and \$46.3 m higher than October last year while exports amounting to \$258.6 m were \$20.5 m and \$25.7 m up. The improvement was attributable chiefly to increased demand from SE Asia, particularly from Indonesia and Malaya, for Japanese, Chinese, European and American merchandise. The volume of trade, however, was restricted by short stock. Dealers here hesitated to book too much supply from Japan, Europe, UK, US because indents for most imports were higher than local market quotations which were kept from rising by low buying offers. There were more enquiries from UK, Europe and Japan for produce but trading was also handicapped by the lack of adequate supply from China. Exports of HK products to UK, Europe, US and SE Asia remained steady throughout the month.

HK/China Trade—Canton, Peking, Tientsin, Shanghai and other Chinese ports curtailed purchases from here partly because market quotations, particularly those of metals, had firmed. The chief reason, however, was China's direct trade talks with European, British and Japanese businessmen during the month. To the local market, China shipped large consign-

ments of foodstuffs. There were also woollen piecegoods, woollen blankets, cotton blankets, carpets, woodoil, newsprint, embroideries, drawn lace work, glassware, chinaware, silk piecegoods, tea, wines, salt, rosin, sawn timber from Canton and other Chinese ports but quantities moderate. Import of cement slowed down while supply of animal by-products and oilseeds was very difficult. Several British and European firms here sent representatives to Canton for the purchase of hog casing, feather, gallnut, bitter almond, groundnut and other produce for shipments direct from China to European ports but Chinese traders who went there got only construction materials, woodoil, tea, hides, skins, newsprint, silk piecegoods, sundry provisions, sea food and foodstuffs. Dealers who went to Canton for the purchase of medicinal herbs returned here disappointed; prices for various popular herbs immediately advanced in the local market. China's exports transhipped here during the month included cement to North Borneo and Indonesia; groundnut oil, rosin, chinaware, paper and wire nails to Thailand; and vermicelli to Cambodia.

HK/Japan Trade—Japan's purchase of produce from here covered mostly forwards; quantities involved small because importers in Japan were anticipating to procure the bulk of the supply direct from China. Demand from Japan for scrap iron also limited to small lots; buying offers were extremely low. Prospects of improvement in exports to Japan are not very bright because Japanese businessmen will probably resume their negotiations for a new trade agreement with Peking in the near future while individual merchants will continue to trade with Chinese authorities in the meantime.

Furthermore, Japan is also trading direct with SE Asia procuring staples such as sesame, maize and beans from Cambodia, Thailand and Burma. Even with North Korea, Japan recently concluded a deal covering £6 m worth of goods each way including Japan's exports of iron sheets, iron pipes, brass and aluminum products, electric wire and cables, communication instruments and chemicals against imports of Korean pig iron, soya bean, chemical and industrial raw materials, tobacco and minerals.

Imports from Japan, however, were \$21 million higher than during September; principal items were cement, cotton textiles, chinaware, paper, fertilizers, woollen yarn and blankets, bean oil, fruits, rayon yarn and trucks. The trucks were for transshipment to Taiwan. During the month, dealers here booked more cotton piecegoods, woollen knitting yarn, woollen piecegoods, paper and sundries from Japan but quantities involved moderate because reexports of these items to SE Asia although active in October remained uncertain. For example, Djakarta ordered Japanese cotton cloth via HK firms during the month but in the

meantime, Japan has decided to increase in the near future its cotton textiles exports to Indonesia under the open account system to US\$3.2 million. Reports from Singapore indicate that plans are well under way for a new effort by Japan to capture the light industrial and consumer goods' market in SE Asia.

On October 25, an exhibition of Japanese products was opened here in the Man Yee Building. After the close on November 7, a permanent show centre will be set up in the building. The exhibition was sponsored by the Japan External Trade Recovery Organisation (JETRO) with the support of the Japanese Government. Over 200 Japanese manufacturers and traders participated in the exhibition and exhibits ranged from household gadgets to diesel engines. JETRO has recently established an office here in the Man Yee Building.

HK/UK & HK/Europe Trade

Imports from UK and Europe remained active throughout the month totalling 25,000 tons and 15,000 tons respectively. Dealers here booked more Christmas and winter goods from UK and Europe but indents for paper were held up till month-end in anticipation of lower offers. Exports to UK also heavy amounting to 15,000 tons; cotton textiles, shirts, underwear, gloves, rubber shoes and other HK manufactures constituted the bulk of the tonnage.

The steady exports of cotton textiles to UK continued to provoke adverse criticism from British textile manufacturers and talks were carried on here regarding the possibility of voluntary ceiling on exports of this item to Britain. The difference in price between the Lancashire and the HK article in UK is actually not very great—a recent example is 58½ pence a yard for the Lancashire product compared with 56½ pence for a similar HK goods—yet this is more than the Lancashire manufacturers could meet. Taking into consideration that HK has only about 300,000 spindles while UK owns 26 million spindles, the competition from HK could not be very serious. The Financial Times in London pointed out that the position was complicated by the fact that it was not desired to shut out grey cloth which was finished in UK and reexported but only the portion to be sold on the home market. Furthermore, Chinese grey cloth, after paying a 17½% duty, is now selling in UK at competitive prices with the HK product. No object would be gained by shutting out HK for the benefit of China! Taking HK/UK trade as a whole, HK is still importing far more from than exporting to UK; HK's deficit has increased during the first 8 months this year to \$241.5 m against \$131.7 m for the corresponding period in 1956!

Exports to France declined. Recent increase in duties and other import restrictions there handicapped the flow of HK manufactures and other items from here to French ports: items affected include cotton textiles, rayon

piecegoods, silk piecegoods, toys and a number of sundries. On the other hand, measures introduced by authorities there to promote exports encouraged merchants in Paris, Marseilles and other industrial centres in France to send here more attractive offers; several French firms are seeking HK connections for the sales of paper, cardboard, leather, hide, waterproof fabrics, nylon hosiery, underwears, laces, chemicals, cosmetics, toilet articles and pharmaceutical goods.

To promote trade between HK and Sweden, the Swedish East Asia Company in collaboration with Swedish Export Association arranged a floating exhibition of Swedish products on board the vessel "Beli" during her call at this port. The exhibition, representing some 130 Swedish firms, displayed paper, cellulose products and steels as well as miniature models of machinery and illustrations of ore refining.

HK/US Trade—Low exchange rates for US dollars during a good part of the month encouraged dealers here to book more metals, petroleum products, tobacco, piecegoods, dyestuffs, machinery and equipment, toilet articles, provisions and Christmas goods from US. Retail prices for most American goods here remained at the high level reached a few months ago when exchange rates were stimulated to 1957 highs. Some small shops however marked down their prices; for example, "Hill's Bros." coffee dropped to \$6.50 per 16-oz tin as compared with \$8.30 charged by big department stores.

Exports to US also active. US importers continued to buy silk piecegoods, shirts, woollen gloves, ladies' wear, rubber footwear, drawn lacework embroideries, frozen prawns and shrimps, firecrackers, torch, plastics toys and cotton cloth from here. Orders for silk garments usually amount to about US\$100,000 each but purchases of other items were not as substantial. High freight charges for shipping rattan furniture to America will handicap future export of this item. To stimulate exports of HK manufactures to US, HK Government is planning to establish a permanent display centre in San Francisco for the exhibition of various HK products. However, according to members of the US trade and industrial delegation during their 2-day stay in HK, many big problems have to be overcome before trade could be increased between US and HK.

HK/Thailand Trade—Bangkok abolished the import quota system and relaxed restrictions on import licenses. Exports to Bangkok active amounting to 8,000 tons; principal items were rosin, structural steels, paper, sugar, glassware, raw silk, foodstuffs, shirts, winter underwear and knitwear, umbrella, plastics products, torch, enamelware, blankets, paints and vacuum flasks—about 50% of the tonnage consisted of Chinese products. Orders

from Bangkok were limited to small quantities chiefly due to the credit squeeze on import financing and the rise of exchange rate for HK dollars in Bangkok.

Import of rice from Bangkok remained heavy totalling about 5,000 tons during the month. There were also salt, beans, live cattle, timber, cow hide and sesame from Bangkok but consignments were limited to moderate quantities.

HK/Indonesia Trade—Exports to Indonesia suddenly improved chiefly due to the renewed demand from Djakarta for cotton textiles, both HK manufactured and Japanese product. There were also orders for Chinese and Japanese paper, cement and other light industrial products. The improvement would have been more impressive if Indonesian importers did not have to pay a high premium for foreign exchange certificates to cover their purchases. On the other hand this high premium encouraged exporters there to ship more coal, sugar, rattan, rubber, groundnut oil and other staples to the local market.

The granting of subsidies in Indonesia for essential imports such as rice, milk powder, textbooks and technical publications and fertilizers etc. did not stimulate shipments of these items from here to Djakarta because purchases were mostly made from US direct. Prospects of further improvements in exports to Indonesia uncertain because Japan will soon start to send US\$4.66 million worth of exports (cotton textiles, metals, paper, glass, etc.) to Djakarta; it would be difficult even to retain the improvement gained in October. Furthermore, Djakarta was considering to impose more rigid restrictions on imports of luxuries and merchandise which Indonesian industrial could produce; shipments of HK enamelware, vacuum flask and cosmetics would be affected.

HK/Malaya Trade—Singapore, Kuala Lumpur and other Malayan ports absorbed large quantities of foodstuffs, sugar, joss sticks, garlic, green pea, gypsum, knitwear, torch, plastics products, shirts, enamelware, hurricane lantern and other HK manufactures from here. The improvement in demand from Malaya was partly due to the resumption of Indonesia's purchase of these items from Malayan ports. Prospects uncertain because Malaya is doing more direct business with Japan, West Germany, US and other countries. Imports of charcoal, firewood, rubber, timber, groundnut oil and used tyres remained active; 5,000 tons of rubber were transhipped here to China.

HK/Philippines Trade—Manila made moderate purchases of green peas, structural steel and chemicals from here in addition to HK manufactured cotton textiles, plastics products, towel, bed sheet, napery and Christmas decoration items such as bulbs, paper lanterns, etc. Total exports during the month amounted to only a little over 1,500 tons. Authorities there

maintained strict import restrictions and granted foreign exchange only for essential imports.

In addition to the strict control over normal imports, Manila also introduced measures to curb the inflow of consumer goods carried by Filipino tourists from HK; passports of Filipino tourists returning to the Philippines with excess baggage will be seized. According to a Manila report, luxuries and consumer goods are being imported by a syndicate which uses Filipinos as carriers to bring these goods into the country as personal effects which under the law are not taxable.

HK/Korea Trade—In addition to paper, Korea procured metals, rayon yarn, wools, chemicals, woollen knitting yarn, cement, paints, pharmaceuticals and wheat flour from here. Seoul also invited tenders for the supply of sugar; dealers here believe that the order will eventually be placed with Taiwan or Indonesia. Many orders for paper, however, fell through on account of short stock here; several transactions were concluded through local dealers for direct shipments from US and Europe to Korea.

In imports, Korean yarn retained keen demand from local weavers and knitters but gallnuts and other staples were less popular in the local market on account of high cost.

HK/Taiwan Trade—Consignments of live hogs, sugar, ginger, onion, tea, citronella oil and camphor products totalled about 1,500 tons. Dealers here also imported some rayon yarn from Taiwan for trial. Exports of vitamin powders, beans, realgar, tea-seed cake, bitter almond, zinc sheet, sulphite paper and industrial chemicals were limited to small lots; transactions handicapped by low buying offers from Taipei. Exports to Taiwan would probably remain at the present low level.

In Tokyo, Taiwan representatives and Japanese officials agreed to expand trade between the two countries to US\$92.6 million annually each way covering Japan's exports of fertilizers, iron and steel products, machinery, rolling stock, communication equipment, ships and textiles against Taiwan's exports of raw sugar, rice, banana, canned pineapple and salt.

HK/Cambodia Trade—Imports of live hogs, beans, maize, sesame, kapok, rice, hide and oilseeds remained steady throughout the month. Exports however were not very cheerful and amounted to only about 2,000 tons; principal items included wheat flour, vacuum flasks, paper, cotton textiles, enamelware, steels and foodstuffs. The slowed-down in shipments to Cambodia was caused by Phnompenh's (1) curtailment of imports in an effort to reduce the deficit accumulated during the past 9 months and (2) increased direct trade with Japan, US and Germany. China is also shipping cotton textiles and cement to Cambodia under the Chinese-Aid programme.

HK/Laos Trade—Authorities in Vientiane maintained strict control over the granting of foreign exchange for purchases from here. Consequently, exports of plastics, metalware, knitwear, children's garments, cotton yarn, white shirting and structural steels, were limited to small quantities; HK products made up the bulk of the consignments. Many dealers here suspended shipments to Laos during the month on account of the political storm in Vientiane.

HK/Vietnam Trade—Saigon importers ordered metals, paper, wheat flour, rattan furniture, vacuum flask, and foodstuffs from here after authorities there allocated more foreign exchange for essential imports. Quantities involved, however, were still insignificant because Saigon procured most supplies direct from Japan, US and France. There were also enquiries for air conditioning units, broadcasting equipment, automobiles and tractors but response from local dealers cool. Improvement in demand from South Vietnam will depend upon the outcome of the proposed new method of control of foreign exchange in Saigon.

Exports to Haiphong also insignificant; only some paper, tyres, chemicals, pharmaceuticals and dyestuffs. Imports from Haiphong also limited to small lots of taro chips, rice, cow bone, beans, sea food and medicinal herbs.

HK/Burma Trade—Exports improved slightly with stronger demand from Rangoon for alum, menthol crystal, wire nails, gunny bags, paper, sugar, cotton textiles, enamelware, plastics products, groundnut oil, wheat flour, old newspaper, cosmetics, toilet articles, sundry provisions and foodstuffs; about 50% of consignments were Chinese products. Towards month-end, demand for HK cotton textiles strengthened; enquiries covered 30,000 bales of cotton yarn and 27 million yards of cotton cloth. But purchase of groundnut oil from here slowed down after heavy procurement during the first half month. Further improvement in export to this market difficult because China and Japan are sending more and more goods there.

HK/Ceylon Trade—Exports remained on a monthly average of about 2,000 tons consisting chiefly of dried chilli, garlic, enamelware, plastics products, rayon products, cotton textiles, china-ware, green pea and camphor products.

HK/Australia Trade—Australia shipped here about 3,000 tons of cow hide, dairy products, fruits, frozen meat, woollen yarn, wools, and wheat flour; exports amounted to about 4,000 tons consisting chiefly of woodoil, firecrackers, sawn timber, walnut meat, cotton textiles, shirts, plastics, rattanware and children's garments. The steady export of sawn timber to Australia has already provoked adverse criticism from timber mills there.

HK/Canada Trade—Imports of wheat flour, canned food, toilet paper and provisions were very quiet during

the month. Exports also insignificant. Demand from Canada for rubber shoes this year is weaker than in 1956; cif prices also depressed by low buying offers.

HK/South America Trade—HK manufactures exported to British Guiana under preferential tariff must now be covered by government imperial preference certificates.

HK/India Trade—Exports of cassia, rayon products, chinaware, torch, paper, window glass amounted to only about 1,000 tons; Chinese products constituted the bulk of the consignments. India's new policy of cutting imports of a long list of consumer goods to protect its domestic industries and of developing more direct trade with China further depressed the already slow trade between HK and India. Imports of coal totalled 5,000 tons but imports of cotton, yarn and cloth moderate.

HK/Pakistan Trade—Imports of cotton yarn declined on account of high cost. Exports also slow; only small lots of cassia, realgar, felt hat, caustic soda and paper.

HK/North Borneo Trade—Exports of construction materials including cement, dressed stone, steel bars, asbestos roofing sheet, paint further curtailed. Imports of coconut, timber, firewood, rubber remained steady. HK's deficit further increased.

HK/Africa Trade—Exports to East, South and West Africa amounted to 1,500 tons, 2,000 tons and 3,000 tons respectively. Shipments to East Africa slowed down towards month-end but demand from West Africa remained steady; HK manufactures constituted the major portion of these consignments. Imports of cotton, groundnut, groundnut oil, cottonseed oil, beans, tobacco, ivory, hide, frozen meat, tanning extract from East and South Africa remained steady totalling 3,500 tons and 2,000 tons respectively.

HK COMMODITY MARKETS

China Produce—Chinese traders here obtained some sesame, rosin, woodoil, green pea and citronella oil from Canton but quantities involved were far from sufficient to meet the demand from Japan and other buyers. Japan therefore absorbed also beans, sesame, maize and other produce of SE Asian origin. UK and European buyers went direct to Canton for forwards of cassia, lemon grass oil, woodoil, coir fibre, raw silk, spun silk, rosin, bamboo cane, bee wax, feather, jasmín extract, hog casing, walnut, groundnut kernel and other produce. In view of the fact that UK, France and Germany are developing more direct trade with China, demand from these countries for produce in the local market will not be keen. Japan's demand also uncertain because trade talks with China will probably be resumed soon. The spot market here however was kept firm by demand from Burma for groundnut oil, alum, camphor products; from Thailand for

raw silk, rosin, realgar; from Indonesia for peppermint oil, menthol crystal, alum; from Malaya for garlic, bean oil, beans, bitter almond, teaseed cake, gypsum; from Philippines for green pea; from Ceylon for chilli, beans, camphor products; and from Australia for woodoil, aniseed oil, beans, walnut meat.

Metals—China continued to buy steel plates, bars, black plate and tin plate waste waste, galvanized iron sheet from the local market but firm prices here restricted the volume of the trade. Popular items of structural steels and factory supplies including round bars, galvanized iron pipe, black pipe, steel plates, tin plate, black plate, waste waste, galvanized iron sheet also attracted steady demand from Thailand, Laos, Cambodia, Philippines, Korea, North Borneo, Indonesia, South Vietnam, Burma and local construction and manufacturing industries. Buying offers from SE Asia, however, were very low.

In spite of the fact that local prices were in most cases lower than new indents buyers still considered quotations too high. When prices dropped below cost in the local market several months ago on account of heavy imports, the dip was very sharp. But the recovery during the month was very slow because buyers were taking below-cost liquidation prices as a bargain standard possibly due to Japan's cut-throat offers to Thailand and other countries.

The local market, nevertheless, remained firm because dealers here refrained from booking heavy replenishments; stock of most items was no longer excessive; arrival of supply from Europe and UK depreciated; and even the most sluggish item—round bars—recovered under steady export and local demand. Freight charges for metals from Europe to HK dropped from 180s to 155s per ton during the month but the cut had no immediate effect on market quotations because booking of new indents was not very active while new cif offers from Europe were still higher than prices here.

Paper—Korea provided the bulk of the business in the local paper market; interest was centred on American and European newsprint, sulphite, tissue, manifold, cellophane, glassine, aluminum foil, duplex board and cigarette paper. The turnover, however, was limited by short stock here. Seoul therefore booked several hundred tons of American newsprint in reel through a HK firm; shipments will be made direct to Korea, Thailand, Indonesia, Cambodia, Burma, South Vietnam and North Vietnam also provided steady demand for various printing, packing and writing paper but quantities involved were small and low buying offers handicapped many transactions; interest was centred chiefly on Japanese and Chinese products.

Taking advantage of the slight drop in indents, dealers here booked replenishments from Europe. Quotations from Japan also marked down but were not attractive enough; booking was

therefore moderate. Supply from China inadequate; only small lots of newsprint in ream, bond, flint, poster and woodfree printing.

Pharmaceuticals—Demand from China, Taiwan, Korea, etc. was spasmodic. Many transactions fell through either due to inadequate stock or on account of low buying offers; prices remained very steady. Popular items included penicillin preparations, dihydrostreptomycin, isoniazide tablets, sulfonamides, aspirin, phenacetin, salicylic acid, santonin crystal, caffeine alkaloid, antipyrin, amidopyrin, potassium iodide, barbitone, sodium benzoate, gum acacia, lysol, quinine powder, balsam talu, mercurochrome crystal and vitamin powders.

Local demand was quiet. Strict measures adopted by Chinese Customs across the border at Shum Chun against smuggling, as well as taking into China by visitors, of luxuries, consumer goods and patent medicines indirectly affected the local pharmaceuticals market. Items particularly affected are antibiotics, liver extract injections, A.C.T.H., isoniazide tablets, saccharine and multi-vitamin capsules which used to enjoy very strong demand from professional and amateur smugglers.

Towards month-end, local demand for cod liver oil and multi-vitamin capsules improved on account of the approach of cold weather. Japanese cod liver oil caps provided keen competition for British and American products.

Industrial Chemicals—The market remained sluggish throughout the month; there were more enquiries than orders from Taiwan, Laos, Korea, Cambodia, North Vietnam and Philippines for soda ash, sodium bicarbonate, sodium nitrate, acetic acid, citric acid, shellac, formalin, lithopone, chlorate of potash, gum arabic and gum copal. Local demand covered sodium bicarbonate, acetic acid, lithopone, sulphur powder and gum arabic but quantities involved moderate. Prices fluctuated within narrow limits: sulphur powder, formalin dipped under heavy supply and new arrivals, while copper sulphate, lithopone depressed by marked down indents; on the other hand, citric acid, ammonium bicarbonate improved on low stock and ammonium chloride stimulated by increased cost. Indents for shellac and linseed oil also advanced but the lack of demand prevented improvements.

Cotton Yarn—Spot trading in HK yarn was quiet but prices very firm because local mills were over-booked with orders from Cambodia, Laos, Burma, Philippines, UK, and local weavers and knitters; 12,000 bales of cotton were booked by local spinning mills from US, Pakistan, Africa during the month. Pakistan yarn also firm on account of increased cost but trading slowed down because local users considered prices too high. On the other hand, Karachi quotations were kept high by orders from China for large supplies of Pakistan yarn. Korean

yarn retained strong local demand but prices slightly easier towards month-end following new arrivals. Japanese yarn dipped during the second half month because indents were marked down. Indian brands remained sluggish.

Cotton Piecegoods—HK grey sheeting continued to attract orders from Philippines, Burma, UK and US. HK drill was favoured by Philippines and Laos but price dipped under the pressure of Chinese products. There were also orders from US and UK for HK white shirting but quantities involved were not as substantial as those for grey sheeting. Chinese grey sheeting was absorbed by Indonesia but supply here still exceeded demand; prices dipped. Chinese drill also sluggish. Japanese grey was first kept steady by demand from Cambodia but during the second half month marked-down indents and slow spot market depressed quotations; Indonesia preferred forwards to spot goods. Japanese white shirting, however, remained very steady on strong local demand and orders from Cambodia and Laos.

Rice—Supply remained adequate throughout the month; imports from Thailand, China and Cambodia steady. Bangkok also increased export quota for the next three months. Prices fluctuated within narrow limits in sympathy with Bangkok quotations and closed steady at month-end.

Wheat Flour—HK wheat flour improved with better demand from Burma, Cambodia, Korea and South Vietnam; increased cost of Australian wheat further stimulated prices. American brands were weak on account of heavy supply and low exchange rates for US dollars here. Australian products firm on marked up cost. Canadian brands improved towards month-end when stock dwindled. Taiwan also shipped here 667 bags of flour.

Sugar—Supply far exceeded demand. Orders from Singapore, Burma, Thailand at the beginning of the month kept prices steady but imports from Taiwan during the month and scheduled arrival of new crop in November depressed quotations here towards month-end. HK products also marked down in line with Taiwan quotation. Indonesia brown retained steady local demand and attracted orders from Thailand but heavy imports forced prices down. Philippine brown steady on dwindled stock.

Cement—Local demand for HK, Japanese and Chinese cement remained very strong but exports to SE Asia slowed down. Prices however steady at month-end because imports from Japan curtailed and supply from China restricted.

Gunny Bag—Revived demand from Thailand stimulated prices for used bags. New bags also advanced on better demand from Singapore and Burma. Indents from India were pushed up by China's direct purchase of this item from New Delhi.

Fertilizers—Stock here was heavy while demand tailed off. Over 1,000 tons of ammonium sulphate were imported from Japan on account of enquiries from China, Thailand and Indonesia.

COMMODITY PRICES ON 31-10-57

CHINA PRODUCE

Aniseed Star—Kwangsi, export quality, £110 per ton c & f Europe. Kwangtung, broken, \$60 picul ex-godown. Haiphong, 2nd quality, \$58 picul. **Cassia**—Broken, Kwangtung/Kwangsi, \$170 picul. Ligna, \$225 picul. **Coir Fibre**—Szechwan, \$125; South China, \$117 per metric ton cif Japan. **Feather**—Duck, export quality, NN 85%, 5s 6d per pound c & f Europe. **Gypsum**—Hupei, white, \$16 picul. **Hog Bristle**—(c & f Europe per lb)—Tientsin, No. 55 black, 23s 4d; No. 26, 24s 1d. Hankow, No. 17 black, 23s 4d; No. 5, 9s 10d. Chungking, No. 27 black, 18s 10d; No. 4, 11s. Shanghai, No. 17 black, 14s 2d; No. 5, 9s 1d. **Menthol Crystal**—HK, \$39.50 lb. Shanghai, forward, \$39.50 lb. Taiwan, \$38. **Peppermint Oil**—HK, \$15 lb. Shanghai, \$22. Taiwan, \$15. **Sesame**—Africa, yellowish-white, \$90 picul. Thailand, brown, \$65. Cambodia, brown, forward, \$63; black, large, \$71. **Aniseed Oil**—Kwangsi, in drum, \$1,110 picul. Haiphong, \$890. **Cassia Oil**—South China, 80-85%, in drum, \$1,327 picul. North Vietnam, forward, \$1,300. **Citronella Oil**—Hainan, forward, \$4.40 picul cif HK. Taiwan, forward, \$4.70 fob Keelung. **Lemon Grass Oil**—South China, 7s 2d lb c & f London. **Sassafras Oil**—Shanghai, \$6.50 per kilo. **Spearmint Oil**—Shanghai, 40s 6d per kilo c & f Europe. **Woodoil** (refined and packed in drums)—£165 per long ton c & f Australia; £169 per l.t. c & f New Zealand; £150 per l.t. c & f Canada; £160 per metric ton c & f Japan. **Bitter Almond**—Tientsin, red membrane, new, \$200 picul. India, \$160. **Bee Wax**—South China, special, £470 per m.t. c & f Japan. **Gallnut**—Kwangsi, £300 per long ton cif Europe. **Dried Ginger**—Hunan, peeled, \$190 picul. **Maize**—Cambodia, yellow, forward, \$21 picul ex-godown. Thailand, yellow, \$20. **Taro Chip**—Szechwan, 1956 crop, £120 per metric ton c & f Japan. **Groundnut Oil**—Africa, 1st quality, in drum, \$154 picul. Shanghai, 1st, in drum, \$153. Tsingtao, in bulk, \$148. Phnompenh, in drum, \$152. Sourabaya, in tin, \$148. Bangkok, in drum, \$165. HK, \$163. **Soyabean Oil**—Japan, forward, \$118.50 picul ex-godown. **Black Bean**—Kwangsi, small, \$31.80 picul. US, medium, \$34. **Green Pea**—Cambodia, 2nd, large, \$57.50 picul. Thailand, 1st, \$81. Anhwei, \$57.50. Tientsin, \$64. Szechwan, B grade, \$59. **Red Bean**—South Vietnam, \$33 picul. Kiangsu, \$70. Shantung, \$68. **Soya Bean**—Dairen, forward, \$46.50. Africa, 1st \$30. **Green Bean**—Shantung, 1st, \$43 picul. Yukshan, \$45. **Haricot Bean**—Chekiang, \$67 picul. **Groundnut**

(shelled)—Indonesia, white, \$88 picul. Philippines, large, \$90. Africa, medium, new, \$73. **Groundnut** (in shell)—Tsingtao, \$1,450 per metric ton.

METALS

Mild Steel Angle Bars—Europe: $\frac{1}{2}$ " x 1-3/16" x 1-3/16", \$53 picul; 3/16" x 1 1/2" x 1 1/2" and 3/16" x 1 3/4" x 1 3/4", \$52; $\frac{1}{4}$ " x 2" x 2", \$42. **M. S. Flat Bars**—Europe: $\frac{1}{2}$ " x $\frac{1}{2}$ " and 1", \$50 picul. HK: $\frac{1}{2}$ " x $\frac{1}{2}$ " to 1", \$45; $\frac{1}{4}$ " x $\frac{1}{2}$ " to 2", \$44.50. **M. S. Round Bars**—Europe: $\frac{1}{4}$ " to $\frac{3}{4}$ " dia, \$47 picul; $\frac{5}{8}$ " to 1" dia, \$40; 1 1/2" dia, \$44.50; 1 3/4" dia, \$48. HK: $\frac{1}{4}$ " to $\frac{1}{2}$ " dia, \$45; $\frac{5}{8}$ " to 1" dia, \$44. **M. S. Square Bars**—Europe: $\frac{1}{2}$ " x $\frac{1}{2}$ " and 1" x 1", \$49.50; 1 1/4" x 1 1/4" and 1 1/2" x 1 1/2", \$50 picul; 3/16" x 4" x 8", \$50. **Mild Steel Plate**—Japan, 4" x 8": $\frac{1}{4}$ ", \$50 picul; 3/16", \$55. **Galvanized Steel Sheet**—UK, 4" x 8": 1/32", 56c lb; $\frac{1}{8}$ ", 53c. **M. S. Shafting**—UK, 20"-22": 1 1/2" and 1 3/4" dia, \$59 picul. **Steel Wire Rope**—HK, 24 x 6 x 720: 1", \$1.80 per pound; 1 1/2", \$1.40; 1 3/4", \$1.30; 2", \$1.20; 3", \$1.05. UK, 24 x 6 x 7: 1 1/4", \$2.20; 2 1/2", \$1.63. **Tinplate Waste Waste**—Coked: UK, 18" x 24", \$102 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, \$86 per 200 lbs; UK, \$82. **Misprint**: UK, 18" x 24" and larger, \$46.50 picul. **Blackplate Waste Waste**—US, 18" x 24" and larger, G29-G33, \$42 picul. **Blackplate**—Japan, 3' x 6': G22, \$63 picul; G24, \$64. **G. I. Sheet**—Japan, 3' x 7', USSG 34, \$5.50 per piece. **Aluminum Sheet**—Japan, 4' x 8': G24, \$2.20 per lb; G26, \$2.25 lb. **Brass Sheet**—UK, 4' x 4', 20-25 lbs per sheet, \$282 picul. **Copper Sheet**—Germany, 4' x 8': 1/32", \$2.80 lb; $\frac{1}{8}$ ", \$2.60. **Black Iron Wire**—Europe: G18-G22, \$55 picul; G19-G21, \$53. **G. I. Wire**—Europe: G20, \$57 picul; G12, \$58; G16, \$64; G22, \$77. **Steel Wire Rod**—Europe: 1st grade, 3/16", \$46 picul; 2nd grade, 7/32", \$36 and 5/16", \$35. **Black Iron Pipe**—Europe, 18"—22": $\frac{3}{4}$ " dia, 42c per foot; 1 1/4" dia, 82c; 1 1/2" dia, \$1; 2" dia, \$1.28 per foot. **G. I. Pipe**—Europe, 18"—22": $\frac{1}{2}$ " dia, 42c per foot; 1 1/4" dia, \$1.02; 2 1/2" dia, \$2.40. **Iron Wire Nails**—HK: $\frac{5}{8}$ " x 19, \$95 picul; $\frac{3}{4}$ " x 18, \$85. Europe: $\frac{1}{2}$ " x 18 BWG, \$87 picul; $\frac{3}{4}$ " x 17, \$83. **Steel Box Strapping**—Japan: blue annealed, $\frac{5}{8}$ ", G27, 56c pound; cold rolled, black, $\frac{5}{8}$ ", G20, \$55 picul. **Scrap Iron**—Wrought iron scraps, 1st choice, \$245 per ton; 2nd choice, \$105. Ship salvaged iron plate, $\frac{3}{8}$ " and over, \$34 picul.

PAPER

Newsprint—In reels, 50/52 gr, 21": US, 47 1/2c per lb; Canada, 47c; China, 46c; Japan, 43c; Norway, 45c; Austria, 45c; Finland, 47c. In ream, 31" x 43", 50 gr: Europe, 50-lb ream, \$25 ream; Japan, \$23 per 48-lb ream; China, \$25.50 per 48/50-lb ream. **Cellophane**—30 gr, colourless, 36" x 39", Japan, \$68 ream. 30 gr, colourless, 40" x 52", Italy, \$108 ream; Sweden, \$107; France, \$106. 30 gr, coloured, 36" x 39": France, Italy or Japan, \$93.

Duplex Board—31" x 43": Sweden, 250 gr, 240-lb ream, \$146 per ream; Norway, 230 gr, \$138 per 220-lb ream; Sweden, 300/420 gr, 280/380-lb ream, 68c per lb. **Bond Paper**—22" x 34", white, 60 gr, price per ream of 32 pounds: Norway or Sweden with water mark and brand name, \$29.50/\$31.50; Japan, with w/m and b/n, \$24.50; Japan without w/m but with b/n, \$22.50. **Woodfree Printing**—31" x 43"—Japan: 60/100 gr, 57/100-lb ream, 69c/70½c per lb; 50 gr, 48-lb ream, 71½c lb. **Manifold**—22" x 34", 30 gr, price per ream of 16 pounds: Norway and Sweden, \$18; Yugoslavia, \$16.50; China, \$11.50. **Poster**—31" x 43"—Japan: 58/60 gr, 53/57-lb ream, \$43 ream. China: 19½ kilo, 42-lb ream, \$21.20 ream; 21½ kilo, \$22.50. **Grease Proof**—30" x 40", 40 gr, price per ream of 34 lbs: Norway, \$28.50; Sweden, \$29.50; Germany, Holland or Czechoslovakia, \$27. **M. G. Ribbed Pure Red & Green Sulphite**—Sweden, 34 gr, 35" x 47", \$31.50 per 40-lb ream. **M. G. Ribbed Sulphite**—Japan, 34 gr, 35" x 47", \$30.50 per 40-lb ream. **M. G. White Sulphite**—Czechoslovakia or Germany, 35" x 47", 40 gr, \$31 per 47-lb ream. **M. G. Pure Ribbed Kraft**—Austria, 40 gr, 35" x 47", \$31 per 47-lb ream. Japan: 38/39 gr, \$31.50 per 45/46-lb ream; 33/34 gr, \$27 per 39/40-lb ream. Europe, 60/160 gr, 75/160-lb ream, 73½c lb. **M. G. Ribbed Kraft**—China, 48-lb ream, 35" x 47", \$25.50 ream. **Unglazed Pure Kraft**—Sweden, 60/140 gr, 75/160-lb ream, 35" x 47", 73c lb. Japan, similar quality, 68c. **Unglazed Kraft**—China, 40/48-lb ream, 35" x 47", 61½c lb. **Flint**—Coloured: Germany, 60/65 gr, 28-lb ream, 20" x 30", \$33 ream; China, 31-lb ream, \$34.50. **Prime Glassine**—Holland or Italy, 30 gr, 26-lb ream, 30" x 40", \$35.50 ream. **Strawboard**—Holland: 8-16 oz, \$540 per ton; 20-40 oz, \$680. Japan: 8-16 oz, \$560; 12-14 oz, \$560; 20-32 oz, \$680. China, 8-16 oz, \$530. Taiwan, 8-16 oz, \$525.

PHARMACEUTICALS

Penicillin Oral Tablets—50,000 units per tablet, expiration date 1961: UK, 86c per carton of 12 tablets; Belgium, 90c. **Penicillin G, Procaine in Oil**—300,000 units per cc, price per 10 cc vial: UK, 1960, \$1.20; US, 1961, \$2.40; Europe, 1961, \$1.70. **Dihydrostreptomycin**—UK, 1961, 75c per 1-gm vial. Italy, 1961, 65c. US, 1961, 95c. **Sulfadiazine Powder**—France, 50-kilo drum, \$23.50 lb. UK, 1-cwt drum, \$23.50 lb. **Sulfathiazole Powder**—UK, 1-cwt drum, \$10.80 lb. **Quinine Ethylcarbonate**—Holland, \$2.83 per 1-oz carton. **Isoniazide Tablets**—Switzerland, \$2.43 per bottle of 100 50-mg tablets; UK, \$2.25; Germany, \$2.15; Belgium, \$1.80. **Fish Liver Oil Caps**—UK, \$33.30 per dozen bottle of 100 capsules each; US, \$70 per doz bot of 100's; Japan, \$25.50 per tin of 5,000 caps. **Aspirin Powder**—UK, \$3.45 lb; Australia, \$2.40; West Germany, \$3.35. **Antipyrin**—UK, 50-kilo

drum, \$9 lb. France, 14-lb package, \$10 lb. **Amidopyrin**—France, 14-lb tin, \$19 lb. Germany, 50-kilo drum, \$18 lb. **Barbitone**—Germany, 50-kilo drum, \$11.80 lb. **Caffeine Alkaloid**—Germany, 50-kilo drum, powder, \$12.20 lb. **Phenacetin**—UK, \$4.95; Germany, \$4.90. **Vitamin B2 Powder**—Germany, forward, 1-kilo tin, \$285 kilo. **Salicylic Acid**—UK, 1-cwt drum, \$2.70. Germany, 50-kilo drum, \$2.65. **Vitamin C Powder**—France, 1-kilo tin, \$215 tin. Switzerland, \$215.

INDUSTRIAL CHEMICALS

Acetic Acid—Glacial, 99/100%, Germany, 25-kilo carboy, 88c lb. **Stearic Acid**—Holland, 112-lb gunny bags, needle form, \$1.10 lb. **Sulphuric Acid**—HK, 750-lb drum, 17c lb. **Bicarbonate of Soda**—China, refined, 50-kilo bag, \$21.50 bag; UK, 100-kilo bag, forward, \$46. **Bleaching Powder**—UK, 35%, 50-kilo drum, \$39 drum. **Calcium Carbonate**—Japan, heavy, 33-kilo bag, \$120 per ton. Japan, light, 20-kilo bag, \$315 per ton. **Caustic Soda**—China, 200-kilo drum, \$114 per drum. UK, 340-kilo drum, \$217 drum. **Chlorate of Potash**—Japan, 50-kilo case, 79c lb. Switzerland, 100-kilo drum, 80c. **Cup Grease**—UK, 400-lb drum, 42c lb. **Formalin**—Norway, 210-kilo drum, 39c lb. UK, 504-lb drum, 39c. **Gum Arabic**—Sudan, 100-kilo bag, \$1.03 lb. **Gum Copal**—Malaya, No. 1, 140-catty gunny bag, \$216 picul. **Gum Damar**—Malaya, No. 1, 140-catty bag, \$305 picul. **Hyposulphite of Soda**—UK, 50-kilo paper bag, 30c lb. **Lithopone**—Holland, 30%, 50-kilo paper bag, 37c lb. Germany, 30%, 50-kilo paper bag, 37c. **Magnesium Sulphate**—Germany, 100-kilo paper bag, \$27-ton. **Petrolatum**—US, snow white, 400-lb drum, 65c lb. **Lemon Shellac**—India, No. 1, 164-lb case, \$230 picul. **Silicate of Soda**—China, 320-kilo drum, 38c kilo. Germany, 340-kilo drum, 43c kilo. **Soda Ash**—China, 80-kilo bag, \$28 bag. UK, 100-kilo bag, dense, \$37 bag. **Sodium Sulphide**—China, 160-kilo drum, \$600 ton. **Sulphur Powder**—Germany, 50-kilo bag, \$30 picul. US, 50-kilo paper bag, \$30 picul. **Talcum Powder**—India, 2-cwt bag \$31-ton. China, 25-kilo bag, \$240 ton. **Ultramarine Blue**—Holland, 50-kilo barrel, \$88 picul. **Paraffin Wax**—US, 143 to 150 degrees AMP, 90/94-lb paper carton, \$81 picul.

COTTON YARN

Hongkong Brands—10 counts, \$880 to \$950 per bale; 12's, \$900 to \$980; 20's, \$990 to \$1,170; 30's, \$1,440; 32's, \$1,380 to \$1,430; 40's, \$1,510 to \$1,530; 42's, \$1,660 to \$1,680. **Japanese Brands**—32's, \$1,300 to \$1,340; 40's, \$1,380 to \$1,400; 42's, \$1,490 to \$1,570. **Indian Brands**—10's, \$810 to \$840; 20's \$950 to \$960; 32's, \$1,185. **Pakistan Brands**—10's, \$800 to \$850; 12's, \$910; 20's, \$950 to \$1,030; 21's, \$970 to \$1,050; 32's, \$1,190 to \$1,300. **South Korea Brands**—10's, \$855; 20's, \$975 and \$980; 32's, \$1,280.

COTTON PIECEGOODS

Grey Cloth—Chinese Brands: 63 x 64, 36" x 40 yds, \$35.30 pc; 72 x 69, 38" x 40½ yds, \$30.20; 60 x 60, 36" x 40 yds, \$33.50; 60 x 56, 36" x 40 yds, \$33.20. HK Brands: 60 x 56, 40 yds x 36", \$37.50; 60 x 60, 36" x 40 yds, \$36.50 to \$38.50. Japanese Brands: 72 x 69, 38" x 40½ yds, \$30.20. **Grey Jeans**—Chinese Brands: \$28.20 pc. HK Brands: 84 x 48, 30" x 40 yds, \$28.50. **White Cloth**—Japanese Brands: \$43 to \$45.50 pc. **White Shirting**—Japanese Brands: 36" x 30 yds, \$1.14 to \$1.51 per yd.

RICE

White Rice—Thailand: whole, 2nd grade, \$58.30 picul; 5%, new, 1st, \$53.60; broken, A1, extra, \$43.50; broken, A1 ordinary, \$37.40; broken C1, special, new, \$31.50. Cambodia: 1st, \$52.50. North Vietnam: 1st, \$46.80. China: Canton, 1st, \$52.80; Chai Mei, 1st, \$57.30; See Mew, 2nd, \$54.30. **Glutinous Rice**—Thailand, 1st, \$43.

WHEAT FLOUR

American Brands—\$24 per 100-lb bag and \$12 to \$16.30 per 50-lb bag. **Australian Brands**—\$38 per 150-lb bag and \$12.40 to \$13.30 per 50-lb bag. **Canadian Brands**—\$35.40 per 100-lb bag and \$16.60 to \$18 per 50-lb bag. **Japanese Brands**—\$11.50 to \$14.20 per 50-lb bag. HK Brands—\$11.80 to \$17.50 per 50-lb bag and \$33.40 per 150-lb bag.

SUGAR

Granulated Sugar—Taiwan, refined, No. 24, \$47.80 picul. Japan, fine, \$50.80. HK, fine, \$49.50. **Brown Sugar**—HK, \$37.50. Philippines, \$41.20. Indonesia, \$41.50. Australia, \$43. **Candy Sugar**—HK, 2nd quality, \$53. **Malt Sugar**—Thailand, \$35. **Green Sugar**—Taiwan, 1st, \$35. Philippines, 1st, \$34.

CEMENT

Hongkong Green Island Cement—Emeraldcrete, \$7.30 per 112-lb bag. Emerald: \$6 per 112-lb bag; \$5.40 per 100-lb bag. Snowcrete: \$72 per 375-lb drum; \$16 per 1-cwt bag. **Japanese Brands**—Ordinary cement, \$5.20 per 100-lb bag. White cement, \$15.20 per 1-cwt bag. **French Brands**—White cement, \$15.30 per 50-kilo bag. **Chinese Cement**—No spot transactions.